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United States Department of State

Washington, D.C.: U.S. Government Printing Office, 1945

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Foreign  
Relations  
of the  
United  
States



1945

Volume VII

THE FAR EAST  
CHINA

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Washington



Philip S. Mosely



Foreign Relations  
of the  
United States  
Diplomatic Papers  
1945

Volume VII  
The Far East  
China



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Washington : 1969

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## PREFACE

The present volume of the *Foreign Relations of the United States* was prepared under the general supervision of E. Ralph Perkins, formerly Chief of the Foreign Relations Division, now headed by S. Everett Gleason.

The compilers of the volume were Ralph R. Goodwin, Herbert A. Fine, Velma H. Cassidy and former staff member, Francis C. Prescott. Preliminary review of the volume was provided by Mr. Prescott and John G. Reid. Mr. Perkins was responsible for the final review assisted by Mr. Reid and Rogers P. Churchill.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including those of the Joint Chiefs of Staff. They would also direct the reader's attention to the relevant volumes in the official series: *The United States Army in World War II*, published by Department of the Army.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of the volume.

WILLIAM M. FRANKLIN  
*Director, Historical Office,  
Bureau of Public Affairs*

MARCH 30, 1969

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### PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the current regulation is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States, Diplomatic Papers*, constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record

of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

### 1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States, Diplomatic Papers*, shall be edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record shall be guided by the principles of historical objectivity. There shall be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing shall be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

### 1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States, Diplomatic Papers*, the Historical Office shall:

- a. Refer to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refer to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.



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GENERAL WARTIME RELATIONS BETWEEN THE UNITED STATES AND CHINA WITH EMPHASIS ON CHINA'S MILITARY POSITION AND UNITED STATES EFFORTS TO GIVE MILITARY ASSISTANCE TO CHINA (JANUARY–AUGUST 11)<sup>1</sup>

390.1115A/1–245 : Telegram

*The Appointed Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 2, 1945—3 p. m.

[Received January 2—12 : 44 p. m.]

3. Embassy is continuing efforts to facilitate withdrawal of American and Allied civilians generally from areas in Eastern and Central China and of nonessential Americans from China to India. (Embassy's 2012, December 13.<sup>2</sup>) Commanders of advanced air bases including those in Kiangsi, Hunan and Hupeh have been authorized to furnish passage to rear bases to American and Allied nationals as facilitates [*facilities*] are available. Civilian passengers will be accepted on army planes from Chungking to Kunming and from Kunming and Chengtu to bases in Assam. British Consul in Chengtu has been authorized to issue Indian visas thus obviating necessity for travel to Chungking or Kunming to obtain such visas. Indian Government has authorized issuance of visas to Americans introduced by American diplomatic or consular representatives subject to guarantee of maintenance in India. We have made arrangements with Foreign Office for simplification of procedure for documentation of Americans desiring to leave China. This procedure will shortly be put into effect and we hope it will prove reasonably satisfactory (Embassy's 2058, December 23<sup>3</sup>).

Since stabilization of military situation on Kweichow–Kwangsi border there has been distinct coolness on part of American missionaries toward withdrawal. Many feel that there is no need to leave China at least for the present. In general the larger and better organized missions plan to retain only key personnel and are urging

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<sup>1</sup> Continued from *Foreign Relations*, 1944, vol. vi, pp. 1–215. For additional documentation on China, see *Foreign Relations*, The Conferences at Malta and Yalta, 1945, *passim*.

<sup>2</sup> *Ibid.*, p. 209.

<sup>3</sup> *Ibid.*, p. 212.

remainder to leave as soon as personal affairs can be settled. Some are being transferred to India and others especially invalids and aged and those whose furloughs are due are being sent home. Smaller independent missions located in isolated areas and having no representatives in Chungking show less evidence of desiring to cooperate.

HURLEY

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893.00/1-1645

*Representative Michael J. Mansfield, of Montana, to  
President Roosevelt*

WASHINGTON, January 3, 1945.

DEAR MR. PRESIDENT: I am presenting herewith for your consideration a report of my findings and recommendations as a result of my mission to China at your request. You will recall that your desire was for me to make an over-all survey of conditions as they existed in that country and on my return to the United States to present to you my findings.

I departed from Great Falls, Montana on the first leg of my journey on November 10, 1944 and I left Washington on November 14, 1944 going by way of New York, Bermuda, the Azores, Casablanca, Tripoli, Cairo, Abadan, Karachi, and arrived in New Delhi on November the 19th. At that place I called on Major General Frank Merrill at the headquarters of the India-Burma theater and had a long discussion with him concerning his views about the situation in China.

General Merrill was not too impressed with Chiang Kai-shek<sup>4</sup> personally, but he did say that the Chinese soldier was very good, if he was given enough to eat, the proper training, adequate matériel, and competent leadership. In his opinion, much of the difficulties of the Chinese armies could be laid to the incompetency of the field commands. When asked about the Chinese Communists, he stated that in his opinion they were not allied to Moscow but were primarily a Chinese agrarian group interested in land and tax reforms.

General Merrill invited me to make the trip over the Burma Road from Ledo to Myitkyina, which I accepted with alacrity because I felt that it would give me a good insight in the procedure and policy adopted by the United States in that particular part of the world.

On Monday, November the 20th, I left for Ledo by plane and stopped at Halminar Hat, and from there went on to my destination where I met with General Pick, the engineer in charge of the building of the Ledo-Burma Road; and Colonel Davis, his executive offi-

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<sup>4</sup> President of the National Government of the Republic of China.

cer; Brigadier-General Vernon Evans, Lieutenant-General Stilwell's<sup>5</sup> Chief of Staff, and other officers stationed in this vicinity.

General Pick stated that the Ledo-Burma Road would be capable of transporting a minimum of 60,000 tons a month when completed, although I must say that when I saw the General three weeks later, he had modified that particular estimate. He stated though, that if we were to get the full transportation benefit out of the Road being built, that it would be necessary for him to have 100 truck companies with trucks and shipping facilities for them, as well as ordnance, maintenance units and quartermaster depot units. He said that 86 truck companies had been promised to him previously but were side-tracked, due to the low priority of this area and their need for the invasion of the European continent. He stated further that the road to Bhamo, some 30 odd miles south of Myitkyina, would be finished by February 1945 and that the entire Burma-China Road would be opened by March 1, 1945.

I found out at this time also that, in the India-Burma theater, most of the troops were in the Air Forces, SOS,<sup>5a</sup> Engineers and Transportation Units, and that there were only two American combat regiments, both located in Burma and operating out of Myitkyina, and attached to these was another regiment, a Chinese special service outfit. At this particular time, only two battalions of the 475th regiment were in the field, but the others were getting ready to jump off.

General Merrill was well pleased with the fact that the British and Indians were now, after two and one-half years of relative inactivity, going into the Burmese jungles after the Japanese and were doing a very good job. I noticed, also, on the daily statistics tonnage data, that something like 35,000 tons of supplies was anticipated being shipped over the Hump for the month of November. Coming back from China in December, I checked this particular figure and found that actually 34,929 tons had been shipped, which was a remarkable achievement in itself.

In General Merrill's opinion, a seaport will have to be acquired on the China coast to be of real help to China and that, while the Burma Road with its pipe line will be of considerable assistance, it will not be enough to figure decisively in the China theater.

I visited the 20th General Hospital at Ledo, which has had as many as 2,600 cases at one time and is manned by a staff of 156 American nurses, 80 doctors, and several hundred medical corpsmen. They have done a remarkably good job in this General Hospital, as they

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<sup>5</sup> Joseph W. Stilwell, formerly Commanding General, U. S. Army Forces in China, Burma, and India.

<sup>5a</sup> Services of Supply.

have in all the hospitals along the Road under the most difficult conditions and the most trying circumstances. The wards, generally speaking, have dirt floors, and the sides are made of bamboo and hessian cloth, while the roofs are thatched affairs. The buildings last from nine months to a year and a half and then new ones have to be rebuilt in their place.

In this particular hospital they have done a lot of work in connection with a type of disease known as Scrub or Mite typhus, for which our typhus shots are of no avail. The cure that the General Hospital found most successful in combating this disease was the use of air-conditioning. By keeping the wards at a steady temperature, they have reduced the fatalities from 27 percent to less than one percent.

In visiting the eight hospitals along the Road, I found that the work being done in all of them was outstanding. There was one hospital which had no women nurses and one hospital at Tagap in the process of being activated which would have a complete colored staff of doctors and nurses. From the experiences of 400 American nurses along the Road, I found that a great many of them had been out there one and a half to two years and more and the remarkable thing to me was how they had been able to sustain their morale and do the fine work they had been doing under the difficulties which were, and are, their daily lot.

I also found at Ledo, that 100 silver rupees were being paid to natives for each bailed out American flyer brought in. Many of our flyers are forced down in the jungles and have to live there for days and weeks, and many of them have never been found. The natives have been responsible for rescuing a great many and bringing them back to American headquarters.

On November the 21st I left Ledo by jeep for my trip over the Road, but before starting out I visited the plane-loading warehouses and saw how the Quartermaster Corps had developed a system of loading matériel in a very efficient manner and also a system of dropping stuff into the jungle with remarkable little loss. This particular area has had to use this type of transportation because there was no other way of getting the stuff to our men, and they have dropped such things as galvanized barrels of water, motors [*mortars?*] and field guns, rations, medical supplies, ammunition, etc. Approximately 600 tons are shipped out daily by air from the Ledo fields, and a plane can be loaded on an average of 17 minutes.

After leaving Ledo, I stopped and visited the 14th Evacuation Hospital, the 335th Hospital at Tagap, and the 73rd Evacuation Hospital at Shingbwiyang at the end of the Naga country and the beginning of the Hukawng Valley. The Road so far, from Ledo

to Shingbwiyang, 102 miles, was a rough one, but all things considered a good road, wide, rocked and proven in the last monsoon.

On November the 22nd I left Shingbwiyang and on the road visited the medical battalion station outside of Tingkaw, went through a lot of dense jungle, crossed a number of rivers on pontoon bridges, and observed the extremely good work being done by the engineer battalions, both white and colored, all along the Road. I also visited the aviation liaison field at Shadazup and from there went on to Warazup, where there are fighter and transport fields. The route from Warazup was through Kamaing to Mogaung and this was the roughest ride I have ever undertaken. We averaged between five and ten miles an hour for about fifty miles. I left Mogaung on November 23rd, and took the jeep train from there to Myitkyina. However, before I left Mogaung, I had a chance to visit General Liao Yao-hsiang of the Chinese 6th Army and his American liaison officer, Colonel Philipp. General Liao Yao-hsiang, with his 6th, and Lieutenant General Sun Li-jen of the 1st, were both doing a grand job to the south of the Road and the reason that these two armies had the respect and confidence of the American military was because they were well-fed, well-trained, well-equipped, and well-led. I arrived in Myitkyina that same afternoon and had dinner with Lieutenant-General Daniel I. Sultan<sup>6</sup> that night. It might be well to point out here, that one of the chief complaints which I found along the Road was the lack of a definite rotation policy. General Sultan had the same idea of the Chinese soldier as General Merrill. As the situation in China was getting critical at that time he feared a Japanese drive into Kunming and stated that if that operation succeeded, all our efforts in Burma would go for naught. His objectives were (1) to open a road to China by means of Burma and (2) to get supplies to China.

It is not our policy to fight in Burma except where necessary to protect the Road. The British, according to General Sultan, do not care for a road to China or a road in Burma. They want a weak China where the United States wants a strong China. General Sultan disliked putting the Chinese with the British because of their distrust of one another, but there were times when he has to do so in order to protect his movements. General Sultan claimed that there were 250,000 Japanese in Burma against six or seven divisions of Chinese, British and American troops. He did not tell me though that the Japanese divisions that he was facing were greatly decimated as to personnel and matériel nor that the British alone, as I found out later, had at least 13 divisions in Burma.

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<sup>6</sup> Commanding General, U. S. Army Forces in Burma and India.

The best airfield in the world is at Myitkyina. It is a marvel of efficiency. Indian pioneer troops do the unloading. The British pay them and we feed them. The British also clothe the troops of the 1st and 6th Chinese armies but we furnish them with arms. When food is dropped, American liaison personnel attached to the Chinese armies are there to see that the food is evenly distributed to all concerned. This is very important because otherwise some of the soldiers would have to do without and the result would be impaired efficiency as is the case so often in China itself.

At the Myitkyina airfield, there have been as high as 284 transports loaded and unloaded in a day, in addition to fighter and liaison planes coming on and off the field. In one 13 hour stretch there were 556 landings and take-offs, and during October 1944, 195 transports landed per day.

On November the 24th, I visited Major General Howard Davidson, commander of the 10th air force at his headquarters and sat in on his daily conference. Later that afternoon, I took off in a Billy Mitchell bomber with Colonel Grubb and Lieutenant Colonel Pinkney for Kunming. After leaving Myitkyina we went south to Bhamo and circled the town while American P-51 Thunderbolts came in low and dropped their bomb loads and made some good hits. Then we went over the Hump at 14,000 feet to Kunming, where I stayed with General Claire Chennault.<sup>7</sup> He expressed great confidence in the Chinese and said they should have their own leadership but that lend-lease should be given direct to Chiang Kai-shek under the supervision of General Wedemeyer.<sup>8</sup> He stated that the tactical situation looked bad due to the loss of our advanced airfields, but that the over-all picture was good as he had engaged 350,000 Japanese with his 14th Air Force and he hoped to draw in 150,000 more. He notified me that he was still maintaining a number of American-operated airfields behind the Japanese lines and that while it was a difficult proposition he was continuing to supply them all. In his opinion Japan is moving a great deal of her heavy industry on to the Chinese mainland and he further stated that a China landing is necessary if the war is to be brought to a successful conclusion in that country. He rates the Communists highly, and declares there is no connection between them and Russia, a conclusion which was borne out in my conversations during the rest of my stay in China. He is, however, sympathetic to Chiang Kai-shek in his dealings with the Communists and thinks he is the one man who symbolizes an aggressive China. He has nowhere

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<sup>7</sup> Commanding General, 14th U. S. Air Force in China.

<sup>8</sup> Maj. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in the China Theater and concurrently Chief of Staff in the China Theater by appointment of Generalissimo Chiang Kai-shek.



near enough planes and neither does Chiang Kai-shek have enough supplies even though they have been promised them time and time again.

There was a three-ball alert in Kunming while I was there but the Japanese dropped their bombs at Chenking, 25 miles away. The next day I visited Major General G. T. Cheves, the SOS officer of the Chinese theater and he informed me that all the stuff coming into China is shipped to Calcutta and from there to Assam, where it is loaded in planes for flights over the Hump, and that in excess of 90 percent of the food and all building supplies are furnished by the Chinese.

I have been able to arrive at some conclusions on the basis of my few contacts to date. Under the present system, being conscripted into the Chinese army is like receiving a death sentence because the soldier receives no training, no food and little equipment. They are starved and poorly equipped because of graft up above. The commanders hang on to much of the stuff they receive and then flood the black markets and enrich themselves. The administration of food supply on an equitable basis is necessary or the Chinese army will not be able to fight.

On November the 26th, I left Kunming for Chungking. When I started on this trip I thought that the Chinese problem was supply, but now I am beginning to think it is cooperation among the Chinese themselves and that this has always been the case. Conditions in China are really bad. Some people, for example, working for the Chinese Maritime Commission can work only one-half day because they cannot get enough to eat and many soldiers die of malnutrition. Many Chinese, whom I met in Chungking, feel pretty despondent over the war situation. The American military are not too optimistic but are trying to hide their feelings.

I met Major General Albert Wedemeyer, Commander-in-Chief of American forces in China, and was very favorably impressed by him. It is a tough situation for any one to be put into "cold", but I feel that if any man can salvage anything out of this that Wedemeyer will be the one. He recognizes the gravity of the situation. He is not fooling himself. He isn't underestimating the abilities of the Japanese nor is he over-estimating the fighting qualities of the Chinese. He wanted to get General Chen Cheng as his field commander against the Japanese, but the Generalissimo appointed Chen Cheng his Minister of War instead and gave Wedemeyer General Ho Ying-chin<sup>9</sup> as his field commander. While this did not look so good at the time, it very likely was a shrewd move, because Ho Ying-chin is the Kweichow war

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<sup>9</sup> Formerly Minister of War and Chief of Staff.

lord and consequently will fight harder to save his province. Ho Ying-chin, now Chief of Staff of the Chinese Army and Commander of the forces in Kweichow and Kwangsi, is a political general. He is anti-communist and has fought a Communist-Kuomintang *rapprochement*. While he is no longer Minister of War he is still in a powerful position and is still a key figure in future Chinese policies and politics.

Many rumors are prevalent in Chungking that people are selling out and converting into portable goods and cash, so that they can start moving.

General Wedemeyer has had to ask for the recall of some of Stilwell's staff members, because they do not know their job and he is trying to draw together a staff of his own which he can have confidence in.

I was not too impressed with the Intelligence System of the American Army in Chungking, as I felt that they did not know their business and their information was not up to date. For example, they reported a three-ball alert at Kunming and the raid on Chenking three days after it actually happened. General Wedemeyer could find no American officer who could tell him what the American plans in China were. None of the officers knew what they were supposed to do and consequently a bad situation existed on his arrival.

I saw Major General Pat Hurley and we had a very long talk. He talked for two hours and forty-seven minutes and I talked for thirteen minutes, which was about right. General Hurley informed me that the United States objectives were (1) to keep China from collapsing and (2) to unify, replenish and regroup Chinese military forces for the purpose of carrying on the struggle and thereby saving American lives. There was some talk at that time that General Hurley would be appointed Ambassador and later when that news became definite there was a feeling of relief on the part of all hands. No better choice could be made for this very important position. General Hurley tried, without too much success, to get the Communist and Central Government together so that a unified China would result and a greater degree of cooperation [be] brought about.

The Communists are a force to be reckoned with in China. They have approximately 90 million people in the territories under their control and they seem to have evolved a system of government which is quite democratic, and they also are strong enough to have their authority recognized in the areas they rule. The Central Government has something in excess of 300,000 troops in the Communist area and the result is that the Communist and Central Government troops that could be used in fighting the Japanese are being used to blockade one another and consequently the rift in China remains quite wide.

The biggest single problem in the country today is this disunity within China itself. At the present time we have a military mission in Yen-an. Our military and diplomatic representatives are doing all that they can do to close this breach and bring about greater cooperation among the Chinese. This is the crux of the whole Chinese picture and much will depend on this gulf between these two elements being closed.

The Communists are well-disciplined. They teach their young boys and girls how to use hand-grenades. They have developed small cannons out of bored elms which they set off by a fuse or a match lock. For armament they use captured Japanese guns and when they haven't guns they use spears. Japanese steel helmets, telephones and wires are other things which they have captured and used.

The Communists have gone into villages which they have captured, told the people they were spreading democracy, asked how many were in favor of reducing land taxes, interest rates, etc., and then allowed them to vote. Young girls go in and propagandize the women, getting them to make rugs, blankets, etc., which the Communist army buys and thus they are given a better economic standing. Then they form ladies societies of various kinds and in this way help to lift themselves out of the rut they have always been in. The Communists at this time look upon the United States as their great ally because they know that we are really fighting their enemy, the Japanese, and every time a B-29 flies over their territory, they know it is an assurance that we are their friends.

The Communist Party is the chief opposition group in China. They are not Communists in the sense that Russians are as their interests seem to focus on primarily agrarian reforms. Whereas they used to execute landlords and expropriate their estates to divide up among the peasants, today they try to cooperate with landlords or anyone else who will help them in their fight against Japan. There are more reformers than revolutionaries and they have attacked the problems most deep-seated in agricultural China, namely, high rents, taxes, interest rates, and they have developed cooperatives and a system of local democracy.

They are organized effectively in the region under their control to carry on the war and to maintain their own standing. There is a theoretical agreement between them and Chiang Kai-shek wherein their armies—the Fourth and Eighth Route—are under Chungking but such is not the case and the result is that they maintain their separate status militarily, economically, and politically. The Soviets send in no aid to them. Consequently they are dependent on their own resources and what they can capture from the Japanese. The Generalissimo fears the Communists because he feels that they are

too strong, that they will extend their influence wherever and whenever possible and, if allowed to continue unchecked, they will eventually supersede the Kuomintang. While there have been incidents between the Kuomintang and the Communists there has probably been no civil war. We do not know all that has gone on between them because of the rigid censorship which exists but we do know that negotiations have been carried on looking to a settlement of their differences; that Chou En-lai<sup>10</sup> has made many trips to Chungking to discuss matters with the Central Government; that at the present time a small amount of medical supplies—3% of a 20-ton American shipment—has been sent to Yen-an; and that an American Military Mission is in the Communist area to study what strategic moves can be made from there.

American influence has been to try to get the divergent elements in China together. This is important and necessary to prevent a possible civil war; to bring about as great a degree of unification as possible to carry on the war; and to help the Chinese to help themselves in settling their own internal problems. There is a bare possibility that the present crisis which confronts China may be a means of bringing these two groups together.

During my stay in China I noticed many conscripts but I did not think they were being handled very well. Many rich men's sons have bought themselves out of being conscripted into the army for as little as \$50,000 CN.<sup>10a</sup> I have been informed that \$500,000 CN will make one a regimental commander. Surely no sound type of soldiery can be created on this basis. I have also found out, and this was later confirmed on my visit to Chengtu, that there was some bad feeling at that place between the Americans and the Chinese and that the latter threw rocks and tomatoes at Americans in jeeps, probably because they had lost their land for airfields and also, perhaps, because they did not receive compensation from the Central Government though we had paid Chungking for the land. Another reason may be that they were being bombed by the Japanese at this time which they attributed, and rightly, to the creating of the American fields. On the first Japanese raid against Chengtu, flares were lit to outline some fields and this was evidently done by Japanese who infiltrated into the area, or by Chinese who were friendly to Japan.

On November 28th I visited several businessmen in downtown Chungking and tried to get their views on the present situation. It appeared to me that the Chinese businessmen had adopted a "wait and see" attitude. The crux of the situation seemed to be what would happen at Kweiyang. If it stood, well and good; if it fell, the great

<sup>10</sup> Vice Chairman of the Chinese Communist Party's Central Committee.

<sup>10a</sup> Chinese National Currency.

retreat from Chungking would begin. It appears to me that as of this date, China's house has a leaky roof and a shaky foundation. Whether or not that house can be put in order is a question mark.

I had a conference with Sun Fo,<sup>11</sup> son of Dr. Sun Yat-sen and he told me that there used to be a connection between Yenan and Russia, but since the dissolution of the Comintern it has disappeared, although it might rise again as there is an idealistic bond between the two.

The Kuomintang is controlled by a small selfish group known as the CC (Central Group) and dominated by the Chen brothers—Chen Li-fu<sup>12</sup> and Chen Kuo-fu. They are now, due to recent party changes, on the outside of the Cabinet. Dr. Sun Fo said that the Generalissimo is now becoming more realistic; that previously he never liked to hear bad things, saying it was enemy propaganda and his subordinates, therefore, told him only the good things and consequently conditions went from bad to worse. Finally the Generalissimo set out to find out what was wrong and sent his two sons out to investigate the conscription policy. When they came back with their story of ill-treatment, graft and corruption he made a personal trip to the conscription center in Chungking, saw what they told him was true, and jailed and court-martialed the administrator in charge. Sun Fo told me that about 100 thousand of the 250 to 300 thousand troops under General Hu Tsung-nan in the Northwest area have been shifted to the Kweichow-Kwangsi front and that the old "sit back and let the United States do the job" attitude is changing. Sun Fo said that our best bet was to stick with the Generalissimo. On that basis of information which I have been able to gather, it appears to me that both the Communists and the Kuomintang are more interested in preserving their respective parties at the present time, and have been for the past two years, than they are in carrying on the war against Japan. Each party is more interested in its own status because both feel that America will guarantee victory. The Kuomintang is inefficient in matters of administration, in the conduct of the army, in education, finance and taxation. It is also inefficient in times of great crisis, as for example, during the time of the Honanese famine when dogs ate human beings and the Honanese revolted against the Central Government's army; they were inefficient in this past summer's campaign when no authority was given frontal leaders; when there was countermanding of orders; and when there was no food for soldiers and more interest in blockading the Communists than in fighting the Japanese; and they were inefficient in the handling of refugees from Kwangsi to Kweiyang.

<sup>11</sup> President of the Chinese Legislative Yuan.

<sup>12</sup> Formerly Chinese Minister of Education.

The Kuomintang is hated more every day and this is due to fear of the army and the attitude of tax collectors; and is proved by the revolts of the peasantry, the party criticism by provincial leaders, student revolts against conscription and the fact that many Chinese will stoop to anything to get to America and, once there, to stay there. It is corrupt. It speaks democratically but acts dictatorially. The worst censorship in the world is located in Chungking and there is one detective assigned to every ten foreigners (this statement was even published in the papers). Meetings of Liberals are invaded by Kuomintang toughs, spies are everywhere and people are afraid to talk. The Kuomintang is afraid of the will of the people, has lost much of its popular support and will not allow any of its power to be used in the way of agrarian reforms. However, the Kuomintang is still the party in China. It has its leader in the Generalissimo who has the franchise in the war against Japan. It has a powerful army. The middle class leans toward it and still has the support of America. On the other hand, the Communists have their elements of strength and weakness. Among their weak points is their spirit of sanctimoniousness (they look upon themselves as pious crusaders and do-gooders); their knowledge of the outside world is primitive; there are social distinctions among them, and they are totalitarian and dictatorial in their own way. Their points of strength are they have a good military force, estimated at around 600,000 and there is more democracy in their territory than in the rest of China.

I saw the Generalissimo on Thursday, November the 30th and told him that the United States had sent over three of its very best men in Generals Hurley and Wedemeyer and Donald Nelson.<sup>13</sup> He answered that if they had been here a year ago the situation would be different now. I said that we must forget the past and look to the future, that the United States had a great admiration for China and wanted to see her a strong power so that she could make herself a bulwark for peace in the Orient.

I had a conference with Mr. C. Y. Wu, who informed me that he would be watched because he came to the Embassy, as the secret police (Special Service) do not want the Chinese to speak to foreigners. He also informed me that the secret police are everywhere, even in Colonel DePass'<sup>14</sup> office, and that the Colonel knows this. The Colonel, by the way, is the American military attaché. He informed me that the May issue of *Life* was suppressed in China and that in the April issue of *Time* articles were deleted but that mimeographed

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<sup>13</sup> Special Representative of President Roosevelt to China on an economic mission, August 1944.

<sup>14</sup> Morris B. DePass, Military Attaché in China.

copies were made and distributed. The same thing has happened to *Reader's Digest* articles.

The Kuomintang is weak and feared. The Generalissimo is personally honest, but he cannot stand criticism. The feeling among the Chinese is one of depression.

I had a very interesting conversation with John Davies, 2nd Secretary of the American Embassy at Chungking, but now attached to Wedemeyer's headquarters, and his attitude was one of realism. He stated that even though we have a military mission in Yen-an at the present time, the Generalissimo would like to have it withdrawn, but due to the difficult situation China finds itself in his hands are tied and he can do nothing about it. It is up to us to use every conceivable type of aid we can in China because the main thing is the saving of American lives. The Communists, he informed me, have a good underground movement in most parts of Occupied China and it will come in handy, when and if, the eventual landings on the China coast occur.

I went to the Generalissimo's house again where Chiang expressed his belief that China would hold at Kweiyang. When the Generalissimo asked Nelson what differences he noted between his first trip and this one, Nelson told him that he found less talk of post war development and a greater concentration on the present needs of China. He told the Generalissimo that if the Chinese held the Japanese, and did a good job of helping themselves through their own WPB <sup>14a</sup> he would be glad to come back again next Spring, bringing a mission of businessmen and then talk post-war development. Nelson got his point over very nicely and I am sure the Generalissimo got the idea.

On Saturday, December 2nd, I went to Chengtu and saw the fields at which the B-29's were refueled and serviced, going to and coming from Japan; found out that flares had been used at various of these fields during periods of Japanese bombardments and that these flares were evidently lit by Chinese collaborators. Found out also that wires had been cut leading from the field on a number of occasions. The different fields at Chengtu are fine pieces of work, created entirely by hand and an excess of 100,000 Chinese were employed in building them.

The morale at Chengtu is not too good, and the reason is the faulty rotation program. Among the bomber crews, morale is fairly good; among the fighters, it is fair; but in the supply units, it is poor. Furthermore, the rotation policy seems to work better for the officers than the enlisted men and it creates a bad situation. The feeling among the men at Chengtu is that the usefulness of the fields there is

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<sup>14a</sup> War Production Board.

not worth the price in maintaining, now that the 21st bomber command has been activated on Saipan. The supply problem, vulnerability of the fields, and the distances involved, make it a difficult situation.

In this area, \$40,000 CN are paid to the Chinese bringing in grounded American flyers. This goes to pay for porters, etc. The guerrillas pick many of the grounded Americans up inside the Japanese lines and carry them out, and sometimes the process takes a matter of weeks. Then they notify a magistrate or some other official who in turn notifies American headquarters, which in turn sends out a plane to pick them up.

The B-29's are tough ships to handle as they need lots of room, still have some "bugs", and have a hard time making altitude with a full load.

I went from Chengtu to Kunming and saw General Chennault again. I asked him his attitude on the present situation. He said that he was still not worried but only "bothered". The cooperation between Chennault and Wedemeyer is grand, and a fine spirit is evident in Kunming.

Speaking of cooperation brings up the subject of Stilwell, who was thought very highly of in India and Burma, but not so well in China. The opinion in China seems to be that he had a phobia about being driven out of Burma and wanted to go back, hence the building of the Burma Road which people in China considered took supplies that should have come there (how, I was unable to find out) and men who could have been used in China. This is a highly debatable question. Another criticism is that Stilwell rarely appeared in Chungking and that he and Chennault were always fighting one another.

Among the impressions which I should like to record, is one concerning the lack of land activity being carried on by the British until recently. After almost two and a half years, it is not enough that they should have the small number of units that they now have in the field in Burma, while we have the 10th and 14th Air Forces, as well as other air forces working out of India under SEAC.<sup>14b</sup> Our B-29's have carried on missions in Thailand, Burma and Singapore. Under whose control have these areas been and to whom will they revert? We are spreading too far and too thin and we are carrying too much of the load in an area where British interests are predominant. Sending a part of the British fleet to participate in the Pacific War is not enough. There must be land operations on a large scale as well.

While in Kunming, I was informed by Generals Chennault and Glenn that there are 28 squadrons of transport planes in India to

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<sup>14b</sup> South East Asia Command.



only two in China. I will have more to say about this later in the report.

I had a conference with T. V. Soong, Chinese Foreign Minister, on Friday, December 8th, who informed me that he and the Generalissimo were now in full accord and also that the conditions of the Chinese soldiers, who were ill-fed and ill-cared-for is being attended to. T. V. Soong is probably the best known of China's leaders abroad. He does not have a large following in China but he has great personal prestige there and among Americans. He is modern in his outlook, understands China's needs, and now that he is Acting President of the Executive Yuan he can, I believe, be depended upon to do his utmost to see that necessary reforms are administered. Politically Dr. Soong informed me that the government was making "at long last" overtures toward the Communists. He was quite hopeful some solution could be worked out. He said China would have to unify internally to win the war and to have a strong position at the peace table. Economically he admitted the situation in China was bad but one of his policies is going to be to keep inflation from spreading. He blamed H. H. Kung<sup>15</sup> for the present financial situation. He said that the Generalissimo had too much to look after personally, that there were too many "yes" men around him, that bad news worried him, but that now the Generalissimo was going to take a more active interest in military affairs and that he, T. V. Soong, would help him in administrative affairs.

On Saturday, December 9th, I visited with Dr. Dan Nelson of the Lutheran Mission in China and Father Mark E. Tennian of the Maryknollers. The opinion of the missionaries was that the Japanese could take the rest of China whenever they wanted to. Father Tennian stated, and this was agreed to by other missionaries with him, that the Communists in China have now adopted a conciliatory attitude toward the church and they admit that the Communists are doing good work for the people, but they questioned the sincerity of their attitude toward religion. They feel that China should solve its own problems.

I again saw General Wedemeyer, who was having his troubles with the Chinese and he realizes that he must be a politician in his job as well as a military man. I found out also, that Mountbatten<sup>16</sup> had sent two squadrons of cargo combat planes to work under Wedemeyer in taking the 14th and 22nd Chinese divisions out of Burma to the Kweichow-Kwangsi front. However, these cargo ships were really

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<sup>15</sup> Former Chinese Minister of Finance; he was Vice President of the Executive Yuan and brother-in-law of Generalissimo Chiang, Dr. Soong, and Madame Sun Yat-sen.

<sup>16</sup> Adm. Lord Louis Mountbatten, Supreme Commander, Southeast Asia Command.

out of air commando units and numbered only 26 instead of the 50 expected. Mountbatten has finally promised to send 50 more out of the 200 he has on hand. This is a sorry state of affairs, because under CCS 308/6[8] issued on January 7, 1944, it was stipulated that all American planes in India could be used by Americans for emergency in defense of China. Furthermore, 100 combat cargo planes (the 4th group) are due in India next month. Most of the planes under Mountbatten are American made and American manned, but it is a difficult job to get them away from him. Only the expostulations of General Sultan or Stratemeyer<sup>17</sup> (maybe both) got the additional 50 at this time.

I would say that the American Military in the Far East are fed up with the dilatory tactics of the British out there. All the British are interested in is Singapore, Hongkong, a restoration of prestige, and a weak China.

On Sunday, December 10th, the Chinese situation took a turn for the better with the recapture of Tushan, although it must be admitted that this "victory" was due not to actual fighting, but to the withdrawal of the Japanese some time before. This was brought about because the Japs had evidently over-extended themselves and had to be pushed ahead too rapidly. Furthermore, it has been confirmed that the Japanese are pulling up the rails of the railroads in western Kwangsi and transporting them to complete the link between Nanning and Dong Dang in French Indo-China and which when completed will create an all-rail transportation link between Indo-China in the south and Manchukuo and Korea in the north.

I had a conference with Chiang Meng-lin,<sup>18</sup> one of the Generalissimo's closest advisors, and he informed me that the removal of General Ho, Chen Li-fu, and H. H. Kung was demanded by groups in China long before it took place. The Generalissimo refused to accede to these demands until he was ready to make the move and then he wanted to make it appear that it was his own doing. This, of course, was a matter of face, and is a factor of great importance in comprehending the Chinese situation. Chiang Meng-lin realized the great need for food, training and leadership in the Chinese army and he has made it a point to stress these lacks to Chiang Kai-shek from time to time. He made a report on the bad conditions in the army in Hunan and Kwangsi, sent a memorandum to the Generalissimo who visited these areas and confirmed what he had found out. He stated that his report and the Generalissimo's visit was in part responsible for the removal of Ho. He said, further, that the Generalissimo could not consent to General Wedemeyer's placing Chen Cheng in command

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<sup>17</sup> Maj. Gen. George E. Stratemeyer, Commanding General, U. S. Air Force in Burma and India.

<sup>18</sup> Chiang Monlin, former Chancellor of Peiping National University.

before Kweiyang, because Chen as War Minister was in a better position to push needed army reforms, whereas Ho was in a spot where he had to make good—or else. I was further informed by Chiang Meng-lin that the Generalissimo fears the Communists, war lords and intellectuals, and makes his decisions with these factors in mind. Later in the day I spent an enjoyable hour with Madame Sun Yat-sen, who said that the only solution to China's problem is a Coalition government. She is friendly toward the Communists but thinks that the Generalissimo will not have anything to do with them. She further stated that China, to be a great power, must form such a government, and she thought that such a move would in reality strengthen the Kuomintang rather than weaken it. She made the statement that all factions of Chinese are "very much pleased with America's disinterested attitude" and that they realize that we have no ulterior motive in their country. Before leaving Madame Sun Yat-sen, I was told by her that many people were very much worried and wanted to get out of Chungking because they felt that the situation could not be saved.

On Monday, December 11th, I saw General Chen Cheng, Minister of War, and referred to him a Reuter's dispatch quoting Senators Brewster and Chandler<sup>19</sup> to the effect that we would lose all our air fields in China unless a miracle occurred. He termed the Senators' statement politics and said it was only helping the enemy. He was very confident of China's ability to hold and he stated that he could be of much more use as War Minister than in the field in the way of executing reforms as he puts it "at the rear where it has to be done for those at the front who need it". In other words, he has the authority now which he had lacked as a commander in the field. We discussed the reforms needed in the Chinese army, the Burma Road, and the present situation. He impressed me as a man who will do his job and do it well, or know the reason why. Chen Cheng, according to all American military men, is China's best soldier. His appointment as War Minister was the best possible move that the Generalissimo could make to bolster China's armies and lagging war morale. His loyalty to Chiang Kai-shek is unquestioned and he is personally incorruptible. Among the many leading generals in China he stands out because of his devotion to his country, his word which is his bond, and his honesty.

Later in the afternoon, I talked to Ambassador Hurley and he told me that the Generalissimo had offered the Communists the following proposals:

- (1) Recognition as a legal party
- (2) Equipment of their armies on the basis of equality
- (3) Participation in the government

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<sup>19</sup> Of Maine and Kentucky, respectively.

The Communists would not accept these proposals because they feared their participation in the government would be very limited and their armies would be wiped out. They, therefore, turned down the Generalissimo's three-point program, but I understand that Colonel Dave Barrett who heads the American military mission in Yen-an is going back with a counter-proposal.

Ambassador Hurley is not too optimistic, but he is sticking to President Roosevelt's desire for a unified China so that it can participate fully in the war.

That evening I saw the Generalissimo for the third time and spent an hour and a half with him, and at his request, gave him a frank recital of my findings. I pointed out the full extent of our lend-lease support to him and emphasized that in an effort to assist China we have done everything humanly possible and some things which were thought impossible. To evaluate fully our assistance we should keep in mind the following points:

(1) We have performed superhuman feats in getting material over the Hump to aid China's defense.

(2) We are doing a tremendous job in building the Ledo-Burma Road and its auxiliary pipe line.

(3) We have carried on operations in the Pacific which were all aimed at weakening China's—and our—enemy, Japan, and which must be included in any reckoning of assistance to our Asiatic ally.

(4) We have given China much in the way of financial aid through loans, credits, etc.

(5) We have tried to assist in a reorganization of the Chinese Army through developing training schools in this country and China; through detailing liaison personnel to the different armies; through better feeding methods; and through the activation of the Chinese-American Composite Wing of the 14th Air Force.

We have done all within our means to assist China because we want to see her use everything she has to bring the war in the Far East to a successful conclusion. We have, I repeat, no ulterior motives in our policy toward China. We want to see China a great power because we feel that as such she will be a decided factor in maintaining the peace in the Orient. We want to get out of China as soon as victory is won.

Last but not most important, every move we have made and will make in China is dictated by one primary consideration and that is to save as many American lives as possible. Everything else—everything—is predicated on this primary factor.

I told the Generalissimo that he had and would continue to have, our full support, but that we expected him to take the necessary steps to bring about the needed internal reforms in his civil, military and economic administration, and I also mentioned several

times our lack of any designs on China. I further stated that my opinion of the Chinese situation had changed from one wherein supplies to China was most important to one which stressed the need of cooperation among the Chinese people themselves. I backed as vigorously as I could, opinions expressed to me by Wedemeyer, Hurley, and Donald Nelson, and with which I agreed. He replied by saying America did not understand a country in revolution and he compared China today with its dissident elements and the Kuomintang to the dissident elements and the revolutionary soldiers of George Washington's time. He stated that he would continue to try for a settlement with the Communists in a political way. I pointed out different possibilities to him and he answered that he had considered them all, Americans, he continued, expect his government to make all the concessions. Why don't we try to get the Yen-an group to make some? This sounds like a good suggestion.

I brought Brewster's and Chandler's statement in the Senate to his attention and said it indicated the attitude of some elements in the United States toward the present situation. Like War Minister Chen Cheng, he said that those statements played into the hands of the enemy. I also said that the American attitude toward China had changed with the Stilwell incident and that now we expected results and that China must assume its full share of responsibility. I pointed out that China to be a great power must earn that recognition.

I held nothing back in my conversation with the Generalissimo and I told him, after he requested me to, the honest results of my observations. I do not know what his real reaction was, but he seemed impressed and stated that reforms were under way. In conclusion he made the statement that this was not the worst crisis China had faced and that he was confident of victory.

Chiang Kai-shek is a dictator in name only. It is true that he is President of the Republic and Commander-in-Chief of the Army but his power is limited because he has to recognize all factions within the Kuomintang—and some outside—with the result that he serves as a balance wheel and has to resort to compromise and keep a semblance of unity. No one would acknowledge this more quickly than Chiang himself. Though constantly subject to pressures he has shown great skill in maintaining the stability of his government over the years he has been its head. He has been a remarkable leader and today he is the one man in China with sufficient prestige to carry her through the war. He has had to be a politician primarily, a military leader secondarily. To maintain himself in power he has had to manipulate these groups as the occasions demanded. The results have been hodge-podge of policies which the western mind finds hard

to comprehend. The disastrous results of this maneuvering have been manifested in many ways:

1. He has used something like 16 divisions to blockade the Communists and has thus lost the use of large numbers of troops to fight Japan.

2. He has allowed Chinese military strength to deteriorate in other ways through his inability to mobilize China's resources; to conscript the college students and the rich men's sons; to see that his troops received food and medical supplies.

3. He has allowed hoarding to go on unchecked; has done nothing to stop inflation; and has allowed merchants and landlords to profiteer tremendously.

4. He has failed to improve the condition of the peasantry in regard to high rents and high rates of interest.

On the other hand, he is the *one* leader in China. It has been under him that China has attained political freedom and the status of a great power. He is the one man who can make Chinese independence and unity a reality. His faults can be understood when the complexity of the Chinese puzzle are studied in detail and they are no more uncommon than the faults of the other leaders of the United Nations.

The seriousness of the situation in China has brought home to him the need for some reforms and he has applied himself to bringing order out of chaos. He has withdrawn some of his Communist blockading divisions from the northwest to the Kweichow-Kwangsi front; he has continued to carry on negotiations with Chou En-lai, the No. 3 Communist, with the hope, as he expressed it to me, "that a political settlement can be made"; he has given his full support to the Chinese W. P. B. set-up by Donald Nelson and administered by Wong Wen-hao; he has called for 100,000 volunteers from among the college students though he has not conscripted them; and he is seeing to it, under American help and supervision, that the Chinese soldier is now being fed and that the Chinese conscripts are now being treated better.

He has reorganized his cabinet and given the more democratic elements a chance to be represented and he has pledged his full support to the American team of Wedemeyer and Hurley. His intentions are good and he has shed some of his administrative burdens on the shoulders of T. V. Soong, now acting President of the Executive Yuan, so that he can devote more of his time to strictly military affairs.

All these moves are in the right direction but the question is: has he gone far enough or does he intend to, and, is there still time? China used to be able to trade space for time but now she has very little

space and not much time. As I tried to impress on Chiang, the responsibility is now his as we have done everything we possibly could do to assist him. If he holds we'll get the stuff through to him; if he fails, all our efforts in Burma, over the Hump, and the magnificent work of the 10th and 14th Air Forces and the 20th Bomber Command will have been for naught.

We are committed to Chiang Kai-shek and we will help him to the best of our ability. The decision, though, rests not on our shoulders but on the Generalissimo. He and he alone, can untangle the present situation, because on the basis of what he has done and in spite of some of the things he has done, he is China.

The American government through General Wedemeyer, Ambassador Hurley, and Donald Nelson has been doing all in its power to bring the different groups in China together. This policy has been pursued not because we want to dictate in China's internal affairs but because we want the Chinese to cooperate with one another so that the full forces of their resources and manpower can be brought to bear against Japan. They realize that Chiang Kai-shek's position is a difficult one and that he fears giving in to the Communists because of the effect it might have on him and his party. They think, though, that if the Chinese themselves can get together it would be to the best interests of China. If they do not get together the seeds of dissension will only continue to grow and the eventual harvest will be of such a nature as to make the Taiping Rebellion of the last century a minor revolution in comparison. It might even mean the intervention of a great power in the Chinese internal situation.

I should like to state, at this point, that the policy of the United States in China is one in which no ulterior motives are involved. In that country—and in that country only so far as I know—our foreign policy is clear, clean, and definite. We are in China to help China and ourselves against a common enemy; we intend to get out of China just as soon as victory is won; and we, alone among the great nations, want China to be a world power because we feel she will become the bastion of peace in Asia. The Chinese know all this and because of it they trust us implicitly.

On Tuesday, December 12th, I was able to acquire some information concerning a revolution in the Chinese province of Sinkiang. This has been going on since December 1943 but because of its remoteness, it was hard to get up-to-the-minute information. At first the White Russians, very numerous in the province, were blamed for the outbreak. Then the Kazaks, then the Kirghiz, and finally the Soviets and now the Kazaks are being blamed again. Evidently Kuomintang control of Sinkiang is not very strong and a great deal of cruelty has been practiced by the Kuomintang government officials

because of the supposedly Communist sympathizers in the various groups up there.

The Kazaks have blocked the Northwest Caravan Road leading into Tihwa and because of this a 500-truck shipment from Russia has been held up. Incidentally, it had been my intention to go to Tihwa but because of weather conditions it was impossible to do so.

It appears that, fundamentally, the revolt started when the Chinese attempted to move the Kazaks, a nomadic people, from their good grazing lands in the northern part of the province, to the barren southern area. In the trouble that started there was shooting and some Kazaks were forced to flee into Outer Mongolia where the villages they found havens in were invaded by Chinese troops and they were fired on by Chinese planes. The Soviets protested this action as Russia in reality looks upon Outer Mongolia as a part of its territory and Outer Mongolian forces drove the Chinese "invaders" out.

These incidents seem to be due to economic causes and a bad conscription policy, and mark a change from the old policy of the previous governor, Sheng Shih-tsai, who for ten years maintained peace among the divergent groups in Sinkiang.

I understand that the American Consul in Tihwa cannot talk to people on the street because to do so would make them liable to suspicion. He has White Russian servants, and one of his maids was arrested for carrying a pistol (which was wholly untrue), captured and jailed by the Chinese, was beaten, hung by her heels and finally released.

In the afternoon of December the 12th, the day before I left, I had a final conference with General Wedemeyer, who was more optimistic about the situation. He suggested that there be closer cooperation between the State Department and the Joint Chiefs of Staff, on the military level, because he realizes how effective the State Department personnel can be in the many countries in the world in which our armies are stationed. He said he had the full cooperation of George Acheson, the Chargé at Chungking, and the whole embassy staff, and he values highly the services of the members of the embassy staff who have been loaned to the army.

I left Chungking on December 13th and I must say that my conclusions are in close accord with the thoughts of the majority of the American civil, diplomatic, and military officials there. They want the Chinese to get together so that we can win the war in Asia; and they want to get the boys out of China just as soon as victory is won. The main concern of all of them is saving American lives. They do not care whether a Chinese is a Communist or not, just so he fights Japan and takes that much of the burden off our soldiers.



The weaknesses of the Generalissimo's government are apparent as I have tried to point out in this report, its durability a question which only Chiang Kai-shek himself can answer. It is my belief that he will do all that he can, according to his views, to bring about the necessary reforms and to achieve a degree of unity. It is his purpose, he informed me, to try to get democracy to the people as soon as possible and he intends to call a Constitutional Convention sometime during 1945.

He has had, and will continue to have, a difficult problem on his hands. I feel we should give him every possible support because he alone can bring China together. There is no other person in that country who has his prestige or his ability and I say this in spite of the many weaknesses in his government which I have called to your attention. In retrospect, he has been a great leader for China. No other country has ever fought so long with so little against such great odds. Furthermore, China is doubly important now because of the fact that Japanese heavy industry has been moving to the Chinese mainland since the Doolittle<sup>20</sup> bombing of Tokyo and this adds up to the war ending in China where it began in 1931—a grim picture to look forward to.

After I left Chungking I visited General Gilbert X. Cheves, in charge of our S. O. S. in China. He is a go-getter and had already done a grand job on the transportation and supply end in Calcutta. He informed me that the Generalissimo had just put him in charge of all internal transportation in China; that he was going to run trucks—not transportation—from Ledo to Kunming over the Burma Road on January 22, 1945; and that the road would be opened for transporting supplies into China from Burma and India by April 1, 1945 at the latest. It is my understanding that General Cheves will be appointed Chief of S. O. S. for the Chinese armies soon and if such is the case, the problem of feeding and supplying the Chinese armies will be well handled.

After leaving Kunming I went over the Hump to Chalna in Assam and inspected the loading facilities at some of the fields. General Cranston and his men are doing a grand job there in getting needed stuff into China.

In Calcutta I visited the docks and saw the fine work being done by the men in the Transportation Corps. We have fine installations there for unloading and warehousing. We have increased the efficiency of the railroads from Calcutta to Assam and speeded up the river traffic to that area as well. Direct telephone communications

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<sup>20</sup> Brig. Gen. James H. Doolittle who led the air raid of April 18, 1942, on Japan.

have now been established by the U. S. Army from Calcutta to Chalna and Myitkyina.

I had a conference with General George Stratemeyer at Hastings Mill in Calcutta. He informed me that General Wedemeyer would get 150 cargo combat planes from Mountbatten; that Mountbatten had a case in being reluctant to release these planes because he had been given certain assignments by the Joint Chiefs of Staff and to carry them out he needed the planes himself. General Stratemeyer stated that if the theater (I. B.) could get another 100 cargo combat planes (a 5th group) that their needs would be satisfied.

The Indians in Calcutta did not seem too friendly. They dislike the British and do not like us too much probably because they think we are helping the British.

At a conference in Stratemeyer's headquarters I was shocked to find out that in the attack on Rangoon yesterday—December 15th—four of our B-29's were lost due to our own bombs exploding too soon after being released. This is not the first time this had happened and something has to be done to correct this—and soon. They are tough enough to fly without this happening to the boys.

On December 17th I again met with General Frank Merrill at New Delhi and we discussed the results of my trip. In general, we are in complete agreement on the Chinese situation. About India and Burma, we should get out as soon as possible because our presence there lays us open to too many politically explosive problems. We should leave enough personnel to handle transportation and engineering problems allied to it to maintain supply runs from Calcutta to Chalna and Ledo and over the Road. From a combat point of view we have no interests in Burma, Malaya, Thailand, or French Indo-China nor should we be interested in keeping American air forces, O. S. S.<sup>20a</sup> men, or other of our units under British command. This is highly important to us if we are going to keep out of trouble so that the United States will not become involved in political squabbles in that part of the world. We have no direct interests in that area and we will have enough to do to concentrate our energies on the main job of defeating Japan through aid to China. The wrong use of our air forces, such as dropping propaganda leaflets over French Indo-China, or through sending our O. S. S. men into that country, could create situations politically embarrassing to us and likely to involve us in a way that we would not desire. As long as American units are under Mountbatten's command in Southeast Asia this is possibility we cannot overlook and must always guard against. These comments are not made slightly against our British allies but only because our own interests and objectives must come first.

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<sup>20a</sup> Office of Strategic Services.

In India the Royal Air Force does not do the work that the American Air Forces do in the matter of flying supplies. The British say it will fatigue their men too much when they are asked to do something extra. The Americans are always willing to fly extra hours and to get as much supplies into Burma, India, and China as is possible. The British—not us—are the ones who are going to reap the benefits of our work in India and Burma. They will have up to date telephone systems already in operation and stretching for hundreds of miles, improved wharf facilities, and better roads and railroads.

I had a further conference with General Merrill in which he informed me—and this bears out statements by Generals Pick and Cheves—that the pipeline from Calcutta to China will carry 13,000 tons a month but—and this is in contrast to statements earlier made by Pick and Cheves, that the Road will carry only from 8 to 12 thousand tons a month. This latter figure can be increased but it will take more men. The net result then, of the Road and pipeline, will be an increase of 25 to 30,000 tons a month. General Merrill also informed me that he has diverted enough food supplies from India to last the Chinese armies on the Kweichow-Kwangsi front for six months and that he has in supply in India enough small arms and ammunition to take care of 35 Chinese divisions.

In conclusion, I feel that all our supplies to China should be handled through General Wedemeyer. This will give him a lever which he can use to make the Chinese armies more responsible to him. This supervision is necessary in the interests of the greatest possible efficiency and I feel that with the present fine cooperation between the American military and Chiang Kai-shek that it can be worked out.

In addition to this I recommend that every possible means for increasing supplies to China be explored; that we keep the Road open and use it to its maximum capacity; that we withdraw all our air and ground combat troops at the earliest feasible opportunity from Burma and India; and that we send them either into China or other areas where needed.

Finally, the boys in Burma and China are very much upset about the lack of a definite rotation policy and feel they are the forgotten men at the end of the road. They resent the secondary status of their area in matters such as priorities and they are fearful of the letdown which will result at home when Germany is defeated. They do not want to be forgotten and they wish their folks could really be made to understand the viciousness of the enemy they face in the Far East and the amount of time it is going to take to defeat Japan. These boys are realists and they know what they're up against because they've learned—the hard way. Our men fight bravely and well, but not with any crusading spirit. They are interested in getting a dirty job

done and coming home. That is their war aim—to come home to “Shangri-la” or the “Old Country” as they refer to the U.S. and to get out of the places they are in just as quickly as they can after the job is finished.

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893.00/1-445

*Memorandum of Conversation, by the Under Secretary of State  
(Grew)*

[WASHINGTON,] January 4, 1945.

Mr. Chang Kia-ngau<sup>21</sup> came in at his request to introduce his brother, Mr. Carson Chang, who states that he is the leader of one of the minority parties in China which have merged in the Democratic Federation as the minority party in Chungking.

Mr. Chang talked at considerable length concerning the situation in China, and especially of Ambassador Hurley's efforts as a result of his visit to Yen-an to bring the Kuomintang and the Communists into accord.<sup>22</sup> This has so far been impossible, as the terms of the Generalissimo<sup>23</sup> and those of the Communists could still not meet.

Mr. Chang spoke with appreciation of General Wedemeyer, who, he said, is doing a great job.

He said that one of the great anxieties in China today is the prospect that after the war Russia may occupy and retain Manchuria, which would be a great blow to China as the war had initially been undertaken for the liberation of that country. China would be quite willing to grant Russia transit rights through Manchuria to Darien or Port Arthur, which they hoped could be declared an open port.<sup>24</sup> He said that China would count on the support of the United States in this connection.

Mr. Chang then spoke of Japanese peace feelers which were constantly being received, but he said that they would fail as China was fully determined to fight the war through to victory. He also said that he had talked with Japanese from the Philippines who said that they realized that they could not keep the Philippines and were merely fighting a delaying action to enable them to fortify the coast of China against American invasion.

There was some further talk of the situation in Sinkiang and of the fact that Kazak raids were still continuing, but the Soviet Embassy in Chungking took the position that the Soviet Government could

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<sup>21</sup> Adviser of the Chinese Executive Yuan, temporarily in the United States.

<sup>22</sup> In November 1944; for documentation on this subject, see *Foreign Relations*, 1944, vol. vi, pp. 299 ff.

<sup>23</sup> President Chiang Kai-shek.

<sup>24</sup> For documentation on this subject, see pp. 851 ff.

not restrain the Kazaks and that the Chinese Government should deal with them directly.<sup>25</sup>

Mr. Chang is about to proceed to Hot Springs, Virginia, to attend the meeting of the Institute of Pacific Relations, to which the Chinese are sending a delegation of seven members.

JOSEPH C. GREW

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740.0011 Pacific War/1-445

*The Second Secretary of Embassy in China (Rice) to the Appointed  
Ambassador in China (Hurley)*<sup>26</sup>

No. 105

SIAN, January 4, 1945.

SIR: Reference is made to my despatch to the Embassy no. 104, January 3, 1945<sup>27</sup> entitled, "Recent Personnel Changes in the First War Area" in which mention was made of efforts being put forth by General Kuo Ch'i-ch'iao to improve conditions affecting Chinese forces in Honan province. I have the honor now to report as follows in regard to the attitude of the people toward the Chinese military in that province.

Two foreigners who recently made extended trips through unoccupied Honan state that there still obtain there the conditions which set the peasantry against the Chinese military and which facilitated the rapid advance through Honan last spring of Japanese forces. These conditions, in brief, comprise the existence of heavy taxation, illegal exactions and high-handed behaviour by the military. One reason for popular discontent is that the people believe the military whom they are supporting by their toil will, in case of Japanese attack, retreat without putting up a fight. (A divisional commander at Neihsiang, Honan, admitted to one of the above-mentioned foreigners, "At present we do not bother the Japanese and they do not bother us. If they advance, we shall simply withdraw.")

One of my informants mentions having in a number of places heard Chinese say that they would be glad if the Japanese did come. Apparently this attitude springs not only from a belief that conditions under the Japanese would be no worse and might be better, but also from a vengeful desire to see the Chinese military in Honan overthrown. Illustrative of this vengeful attitude were remarks made to the other informant by a Chinese resident of a small town in Honan. He recounted that, during the Japanese campaign in that province in 1944, about 2000 Chinese troops fleeing before the Japanese paused

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<sup>25</sup> For documentation on this subject, see pp. 985 ff.

<sup>26</sup> Copy transmitted to the Department by the Second Secretary of Embassy without covering despatch on January 29; received February 10.

<sup>27</sup> Not printed.

to loot that town. They were so intent on looting that they failed to maintain a proper lookout with the result that the Japanese surprised and completely annihilated them. The Chinese added, "Naturally, not a tear was shed in my town for the death of those troops."

Respectfully yours,

EDWARD E. RICE

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740.0011 PW/1-745 : Telegram

*The Appointed Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 7, 1945—11 a. m.

[Received 4:56 p. m.]

21. Military Attaché's summary for week ending 6th :

1. Jap activities China restricted to continued movement of supplies from north and regrouping of units into positions favorable for renewed offensive operations. Combat divisions being moved to Hengyang area and southern end of Hankow-Canton railway. Enemy positional strength now sufficient to capture remaining portion of railway by driving south from Leiyang and north from Canton. If this accomplished, Japs expected to attack Suichuan and Kanhsien, last remaining bases of 14th<sup>28</sup> in East China. Possibility of long expected drive from Paoching on Chihkiang again indicated. Large concentration new troop reinforcements reported in Hsuchang-Yencheng area along Pinghan Railroad but future disposition uncertain.

2. Jap air opposition continued comparatively weak in face of repeated attacks by 14th and CACW<sup>29</sup> on enemy air bases communications supply installations troop concentrations and air borne aircraft. Numerous reports indicate Japs constantly conscripting labor and working continuously to enlarge, improve, and repair existing airfields in occupied China, also constructing new fields as fast as possible. Enemy assumably preparing to increase air force in China for dual purpose of defense against Allied landings on coast and of support for possible renewed Jap offensive to occupy last remaining U. S. air bases in Free China.

HURLEY

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<sup>28</sup> 14th U. S. Air Force.

<sup>29</sup> Chinese-American Composite Wing.

123 [Hurley, Patrick J.]

*The Appointed Ambassador in China (Hurley) to President Chiang Kai-shek*<sup>30</sup>

CHUNGKING, 8 January, 1945.

YOUR EXCELLENCY: In presenting my credentials as Ambassador Extraordinary and Plenipotentiary of the United States of America together with the letter recalling my predecessor,<sup>31</sup> I am instructed by the President to express to Your Excellency his warm personal friendship and the fervent hopes of the American Government and people for the freedom, peace and prosperity of China.

At a time when Japan and her allies were all but succeeding in their schemes of world conquest, America warned in no uncertain terms that America upholds the principles of "inviolability of territorial integrity and sovereignty of each and all nations", and "non-interference in the internal affairs of other countries". The unflinching resolution expressed in those words forms at once the basis of our conflict with Japan and of our enduring friendship for China.

China and America both "respect the right of all people to choose the form of Government under which they shall live". Our two countries are united not only by the mutual observance of lofty standards of international behavior, but also by common ideals of government. It is a source of profound gratification to all Americans that in the Three People's Principles of Dr. Sun Yat-sen, the Father of the Chinese Republic, we find with a different background and philosophic approach the same underlying ideals expressed by a great American at a period when my own country was writhing in the turmoil of civil war. Both during and after the war America and China will be held closely together by the common democratic objectives of "government of the people, by the people and for the people".

I am entering on my new duties in China at a critical period in her history. After suffering more and longer than any other nation from the effects of total warfare, China fights on and is indomitable. My country remembers how against overwhelming odds China fought virtually alone for long years for the eternal principles of Justice and Freedom. I come as envoy to China with respect and admiration for a valiant people, of whom Your Excellency is the inspired leader. The forces of China and America are attacking the enemy with the splendid unity and precision that comes only when two nations are together because they are fighting for the same just principles. The

<sup>30</sup> Copy transmitted by the Ambassador to former Secretary of State Cordell Hull, in a letter of January 15; received February 1.

<sup>31</sup> Ambassador Clarence E. Gauss resigned November 1, 1944.

traditional friendship between our two countries has never been more secure than it is today.

The powerfully armed and relentless invader who sought to subject the peace-loving people of many nations to his will, is now falling back in defeat. There are anxious days and hard battles ahead of us, but the purpose of the enemy to subjugate China has failed. The war is not over but victory over the enemy is certain and out of this holocaust America sees emerging a free, united and democratic China.

In this fateful time I deeply appreciate the honor of representing the President and the Government and people of the United States in China. In the discharge of my duties I bespeak Your Excellency's support and that of the Chinese Government and people.

[File copy not signed]

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390.1115A/1-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 9, 1945—3 p. m.

[Received 3:07 p. m.]

25. Embassy's telegram 81 to Delhi <sup>32</sup> referred to Government personnel only (Department's 34, January 6 <sup>33</sup>). Embassy is continuing endeavors to facilitate withdrawal from China of non-essential Americans (Embassy's 3, January 2). This program has been retarded due to temporary stabilization of military situation and it is feared would be completely nullified were additional civilians other than Government personnel authorized to proceed to China except in cases of special emergency.

HURLEY

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124.936/1-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 9, 1945—10 p. m.

[Received January 10—9:45 a. m.]

30. Since December 6 Embassy has sponsored weekly meetings of representatives of U. S. Government civilian and other agencies for initial purpose of coordinating their activities to prevent duplication and conflicts. (ReEmbs 1972 December 7, 4 p. m.<sup>34</sup> and despatches 3215, Dec. 9,<sup>34</sup> 22, December 20,<sup>35</sup> et cetera.)

<sup>32</sup> Telegram No. 81, December 23, 1944, 3 p. m., to the Commissioner at New Delhi (Merrell), not printed.

<sup>33</sup> Not printed.

<sup>34</sup> Despatch No. 3215, December 9, 1944, not printed, but for enclosure, memorandum by the Second Secretary of Embassy, December 6, see *Foreign Relations*, 1944, vol. vi, p. 202.

<sup>35</sup> Despatch No. 22, December 20, 1944, not printed.



Embassy now working closely with General Wedemeyer on plan to coordinate activities all American intelligence agencies including United States Naval Group and OSS which are not entirely under theater commander with a view to coordinating appropriate activities with wishes of Military Intelligence Section of Headquarters.

These meetings continue to be heartily endorsed by all agencies concerned and Embassy believes their institution furthers American interests in this area. Embassy will continue to sponsor meetings as long as they appear to serve useful purpose. Meanwhile Embassy requests that Department indicate its reaction to them and to our intention to take lead in further attempts to coordinate work of American agencies in China to adopt common lines of approaching Chinese Government agencies and to render maximum possible assistance to theater commander in war effort against Japan.

HURLEY

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[For two memoranda prepared in the Office of Far Eastern Affairs dated January 12, 1945, for possible use by President Roosevelt at the Yalta Conference on the subjects "Outline of Short-Range Objectives and Policies of the United States With Respect to China" and "Outline of Long-Range Objectives and Policies of the United States With Respect to China", see *Foreign Relations*, The Conferences at Malta and Yalta, 1945, pages 354, 356. The substance of these short-term and long-term policies is given in the memorandum of January 29, by the Chief of the Division of Chinese Affairs, page 37.]

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124.93/1-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 13, 1945—8 a. m.

[Received January 15—9 p. m.]

53. Coordination of U. S. civil establishments at Chungking and Embassy staff requirements.

1. Donald Nelson recommended to the President by letter October 19<sup>36</sup> that man of outstanding qualifications be appointed to head FEA<sup>37</sup> establishment at Chungking and be given rate [*rank*] of Minister to work under general direction of the Ambassador. President indicated he approved.

I do not believe that this recommendation goes far enough. I suggest that what we must consider is the broad basis of (a) our needs for active, day to day supervision and coordination of the related

<sup>36</sup> *Foreign Relations*, 1944, vol. VI, p. 280.

<sup>37</sup> Foreign Economic Administration.

functions and operations of all U. S. Civil Government agencies here; (b) our needs for (1) coordinating those activities with the requirements of American political and economic policy as invested in the Embassy and for (2) coordinating all appropriate activities with the needs of the theater commander and directing them into channels concretely helpful to our armed forces in the war against Japan.

Accordingly I recommend that a qualified Foreign Service Officer or auxiliary officer (such as a mature, experienced business executive who is politically as well as economically minded) be assigned here to act as over-all coordinator and supervisor of the various civil agencies, or civil branches of other agencies, with which Embassy has affiliation or relations, including the American advisers on Chinese War Production Board, leaving for the time being the present administrative structures of those agencies as they are. I am mindful in this respect of the need of fair recognition of the work of the heads of agencies and their position vis-à-vis Chinese officials with whom they deal. For example, Stanton<sup>40</sup> who heads FEA here is doing a very good job and his personal position should not be lowered in the eyes of the Chinese.

In accordance with Nelson's recommendation that the new appointee operate under the direction of the Ambassador, and as the direction and coordination of American Civil Affairs should logically rest in the Embassy, I recommend that the new appointee be assigned as staff officer of the Embassy. I feel that this could be most appropriately accomplished by following precedents we have established in other countries by assigning him here as Counselor for Economic Affairs with personal rank of Minister. As such he could under my direction and in my behalf (a) preside over the weekly meetings we have inaugurated of representatives here of all American civil and military agencies; (b) carry on, expand and make more effective the much needed work of coordination which we have started; and (c) enter into active supervision of appropriate activities as a full time job. Acheson<sup>41</sup> and senior officers of the Embassy concur fully in these recommendations.

2. Embassy has a number of additional urgent staff needs, some of which have been previously brought to Department's attention. These needs are daily growing more urgent, as follows:

(a) a thoroughly qualified Commercial Attaché having intellectual and technical capacity to study and report on China's vital economic [and] financial problems as well as to continue Sumner's<sup>42</sup> work after latter's departure. With present needs in this respect being augmented

<sup>40</sup> W. T. Stanton.

<sup>41</sup> George Acheson, Jr., Counselor of Embassy.

<sup>42</sup> John D. Sumner, Adviser on Economic Affairs.

by increasing requests from Commerce Department for wide variety of economic and commercial reporting. Commercial Attaché should have at least two officers to assist him, at least one American confidential typist, and a number of Chinese assistants and typists. Boehringer,<sup>43</sup> who has been in charge of Embassy's Commercial Section, is due to be returned to U.S. in 2 months and should in any case be relieved of this work in order that he might devote himself to wartime economic reporting on occupied areas. (His replacement should be qualified to do such reporting.) Howard,<sup>44</sup> who has been handling visas and citizenship, should have his commercial reporting training utilized in the Commercial Attaché's office. (See (e) below.<sup>45</sup>)

(b) First Secretary with demonstrated capacity for administrative work and with both Embassy and Consular experience to replace Yunj<sup>46</sup> as result of latter's resignation. None of the other second secretaries assigned here have had the all-around administrative experience in large diplomatic and consular offices necessary to take over our administrative desk with its wide variety of duties and problems arising from peculiar situation here and our close relations with the U. S. Army and other Government agencies. It is a task which requires quick thinking, accuracy, decisiveness and great versatility.

(c) Political officers. Our highly important Political Section must be adequately staffed. We are handicapped at the present time because of the detail of so many officers to the army and at the same time the ordering home of two of our best political reporters simultaneously. Under present staff conditions the two officers at present assigned to the Political Section necessarily devote a major portion of their time to such time-consuming problems as withdrawal of American citizens, protection cases and Chinese translation work. We should have at least one additional and competent political reporting officer.

[Here follows an outline of clerical requirements.]

4. I make these recommendations after full consideration and consultation with my staff officers. Ever since my assumption of charge of this Embassy it has been a matter my daily wonder to me how the present inadequate staff manages to carry on under present conditions. I express the hope that the Department will be able to give immediate attention to these matters.

HURLEY

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740.0011 PW/1-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 14, 1945—10 a. m.

[Received 7: 10 p. m.]

55. Military Attaché's summary for the week ending 13th.

1. No large-scale fighting on any front in Central or South China; combat activity restricted to enemy foraging in Paoching, Leiyang

<sup>43</sup> Carl H. Boehringer, Second Secretary of Embassy.

<sup>44</sup> Hungerford B. Howard, Third Secretary of Embassy.

<sup>45</sup> Not printed.

<sup>46</sup> William E. Yuni, Second Secretary of Embassy.

areas. All preparations for indicated drive to capture remaining portion of Hankow-Canton Railway apparently being concluded—Japs have begun construction work at both ends of destroyed section, perhaps indicating prelude to military operations. Amoy, Foochow coastal areas reinforced with several thousand enemy troops assumably in anticipation of American landings. Japs evacuated positions in southwest Kwangtung north and west of Luichow Peninsula although organized Chinese resistance non-existent. Enemy recently moved 7,000 troops from Nanning through this area which embarked at Hopu, occupied previous week by 400 troops, for unknown destination. Positions utilized for this purpose then evacuated.

2. Unfavorable weather limited air activity, but considerable enemy aircraft, rolling stock destroyed in bombings of Hainan, Hankow, Wuchang and points on Pinghan Railroad. Increased air support to Chinese forces advancing in Salween front responsible to great degree for recent Allied successes that area.

HURLEY

711.00/3-1545

*Minutes of Meeting of the Committee of Three, Held January 16, 1945,  
9:30 a. m.*

[Extracts]

Present: Messrs. Henry L. Stimson, Secretary of War  
James V. Forrestal, Secretary of the Navy  
Joseph C. Grew, Under Secretary of State  
Mr. John J. McCloy<sup>47</sup> was present as Recorder.

Another question which arose was the matter of our ultimate mission in China. From time to time General Wedemeyer had before him questions which involved a determination of this policy. Was his mission only to contain Japanese forces or was it to move toward the rearmament of China so that she would become a strong Asiatic power? Was it to help unify China under Chiang Kai-shek? How about Hong Kong? Etc.

It was pointed out that the military authorities would be substantially helped if they could be guided in these matters, as problems were daily arising in this area that required such guidance. Mr. Grew indicated that he would have these matters considered and the results reported to the Committee. He believed that some helpful instructions might be given to the military authorities.

<sup>47</sup> Assistant Secretary of War.

740.0011 PW/1-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 20, 1945—6 p. m.

[Received January 20—9:34 a. m.]

94. Following summary Military Attaché's review for week ending 20th.

(1) Enemy offensive operations China renewed on considerable scale and expected drive to capture remaining portion Hankow-Canton Railway apparently under way. Four thousand Jap troops moved from Chaling to Kaolung on Kiangsi border. No move yet made from Leiyang area but enemy fully reinforced and prepared; Jap elements Canton area also completed preparations. Large scale movements southward of enemy troops supplies reported on Nanning-Indochina road; operations mostly by night to avoid air attacks by 14th Air Force.

(2) Favorable weather permitted increase in aerial operations of 14th and CACW. Effective strafing [and] bombing of communication lines resulted in comparatively large losses to enemy rail transportation and sinking [or] damaging all types river cargo vessels. Attacks against Jap airfields increased with considerable losses to enemy planes. Installations [and] shipping effectively attacked in Hong Kong [and] Shanghai-Hankow. Fourteenth continued strong support by Chinese troops Salween area dropping large quantities supplies to ground troops Wanting area.

HURLEY

893.00/1-2545

*Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Vincent)*<sup>48</sup>

[WASHINGTON,] January 25, 1945.

Observations made to me last night by John Keswick, Counselor of the British Embassy in China (in peace-time a director of the large British firm of Jardine, Matheson and Company) may throw some light on the British attitude toward the future of China.

Mr. Keswick referred to reports that the British desired a weak China in the post-war period. He said that there was no foundation for such reports. He explained, however, that he, and perhaps many other Britishers, felt that a somewhat loosely federated China would emerge from the war—a China under a central government having control of finances, customs, foreign policy, but in which a very large degree of local autonomy for areas such as the northwest, northeast, southwest, etc., would exist. He said that, whereas a strong unified

<sup>48</sup> Addressed to the Director of the Office of Far Eastern Affairs (Ballantine) and the Under Secretary of State (Grew).

China would of course be the ideal development, it was more realistic to anticipate and perhaps work for the semblance of unity under a loosely federated system.

I commented that a loosely federated China might be a necessary alternative to a strong and united China but that I did not see why we should not actively work for the latter with reasonable hope of success.

Mr. Keswick mentioned the Kuomintang-Communist situation and stated that he had some misgivings about the influence we were apparently exerting to bring about a settlement between the two opposing political groups. He felt that a coalition brought about under persuasion might have undesirable consequences. I asked him whether in speaking of a loosely federated China he had in mind areas which might be under the control of the Kuomintang, areas under control of the Communists in north China, and areas under the control of other dissident political groups in China. He indicated that he did. I said that whereas there might be some justification for a federated China which took into consideration the age-old differences between various areas in China (for instance, economic and cultural dissimilarities), I felt that a federated China based upon differences such as those existing between the Kuomintang and the Communists would be most unrealistic; that a federated China of that kind would, it seemed to me, be most likely to develop into spheres of influence and regimes independent of each other in everything but name. Mr. Keswick said in reply that, if a central government in control of the Yangtze Valley and south China could develop sufficient vitality in the post-war period it could, by powers of attraction, draw to it northern provinces under Communist control and eventually eliminate Communists by this peaceful process of "attraction". I granted that this might be a possibility but said that the chances of failure seemed to outweigh those of success. I went on to say that actually the ideological and political differences between the Communists and the Kuomintang seemed to me to be exaggerated especially when one took into consideration the tenets of the Kuomintang as set forth by Dr. Sun Yat-sen rather than the actual practices of the ruling group now in Chungking. This was best illustrated, I said, by the fact that liberal-minded Kuomintang members found themselves more in sympathy with the Communists than with the present leadership of the Kuomintang.

Mr. Keswick again referred to his earlier statement that the British did not desire a weak China and expressed the hope that a strong united China might emerge from the war but it was clear to me that he felt that our policy of trying to promote unity through agreement between the Kuomintang and the Communists was unwise or, as he might say it, unrealistic.

J[OHN] C[ARTER] V[INCENT]

740.0011 PW/1-2745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 27, 1945—2 p. m.

[Received January 27—12:34 p. m.]

122. Following summary of M[ilitary] A[ttaché]'s review week ending 27th:

1. Jap drive in Southeast China intensified with advances made on all sectors against slight ineffective opposition. Thrust from Chaling reached Chikou—12 miles from U. S. airbase at Suichuan which has been demolished. Triple drive from Taohsien reached Leiyang (Hunan) and Pingshih and Loch'eng on railroad. Advance from Chingyuan (Kwangtung) moved north along railway reaching outskirts of Kukong. Enemy now controls all of Hankow-Canton Railroad except small stretch between North Leiyang and Pingshih. In Canton area Japs drove eastward from Polo to Nienshan on Bias Bay. Enemy positions along coast further strengthened.

2. Fourteenth<sup>49</sup> and CAC [CACW]<sup>50</sup> continued effective aerial offensive despite unfavorable weather which hindered operations. Considerable destruction of locomotives [and] rolling stock reported along Pinghan and Nanking-Tientsin Railways by plane from Sian. Extensive damage to enemy shipping caused in attacks on Yangtze, Tungting Lake and [Yellow?] River areas. Enemy troop movements in Indo-China hindered by 14th operations against bridges [and] railroads. Anti-aircraft opposition all areas light to moderate; fighter opposition weak.

HURLEY

893.00/1-2945

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent) to the Acting Secretary of State*<sup>51</sup>

[WASHINGTON,] January 29, 1945.

MR. GREW: Reference is made to your request for information to use in replying to an inquiry by the Secretaries of War and Navy regarding policy on China.<sup>52</sup>

<sup>49</sup> 14th U. S. Air Force.<sup>50</sup> Chinese-American Composite Wing.<sup>51</sup> Copy transmitted to the Ambassador in China by the Acting Secretary of State in instruction No. 40, February 9.<sup>52</sup> Copy of the following policy statement, transmitted with a memorandum of May 28 from the State-War-Navy Coordinating Committee to the Secretaries of State, War, and the Navy (not printed), was identified as "Substance of a paper communicated by the State Department to the Secretaries of War and the Navy and by them to the Joint Chiefs of Staff about February 1, 1945." (SWNCC 83/1)

The short-term objective of the United States Government is to assist in mobilizing all of China's human and material resources for prosecution of the war against Japan. We are using our influence to bring about a greater degree of political and military unity, and to achieve greater efficiency and volume in the production of war material. We are supplying China with materials for direct military use and for industrial purposes connected with the war effort.

Our long-term objective in China is to assist in the development of a united, democratically progressive, and cooperative China which will be capable of contributing to security and prosperity in the Far East.

The mission of our military authorities in China, we believe, should be focused for the present upon the short-term objective described above. Undoubtedly measures devised to "contain" Japanese forces, in cooperation with the Chinese, will result in a degree of rearmament of Chinese forces, but it is believed that measures undertaken at this time to rearm China in order that it might become a strong Asiatic power would be impracticable.

We would like to see the rearmament, to such extent as may be practicable, of all Chinese forces willing to fight the Japanese, but the present unsatisfactory relations between the Chinese Government and the Chinese Communists makes it impolitic to undertake measures for the rearmament of the Chinese Communists even though it is generally conceded that they could effectively use quantities of small arms ammunition and demolition materials. However, if operations are undertaken along the China coast it is suggested that our military authorities should be prepared to arm any Chinese forces which they believe can be effectively employed against the Japanese, and that they should at an opportune time so advise the Chinese military authorities.

It is our purpose, as indicated above, to utilize our influence to bring about, both as a short-term and as a long-term objective, the unification of China. It does not necessarily follow that China should be unified under Chiang Kai-shek. However, with regard to the short-term objective, Chiang appears to be the only leader who now offers a hope for unification. The alternative to the support of Chiang for the attainment of our immediate objective might be chaos. With regard to our long-term objective, it is our purpose to maintain a degree of flexibility which would permit cooperation with any leadership in China that would offer the greatest likelihood of fostering a united, democratic, and friendly China. Developments in this regard would of course have a bearing on any plans to assist in the peace-time rearmament of China.

It is understood that the attitude of the President with regard to Hong Kong is as follows: Hong Kong should be returned by the British to the Chinese and the Chinese should immediately declare



Hong Kong a free port under Chinese sovereignty. With regard to possible military operations against Hong Kong, we have felt that it is undesirable from the political point of view that American forces be employed for the reoccupation of the island or the adjacent Kowloon leased territory.

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893.154/1-2945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 29, 1945.

[Received 1:05 p. m.]

128. Following is actual text of my radio address to the United States on evening 28th celebrating opening of "Stilwell Road":

"We are grateful to the Generalissimo Chiang Kai-shek for the honor he has just conferred on America by naming the land route into China in honor of General Joseph W. Stilwell. We join the Generalissimo in paying homage to all our Allies and especially to the Chinese civilians, Chinese soldiers and Chinese officers who, together with American soldiers, led by Joe Stilwell and Dan Sultan, with the ever present support of carrier and fighting air forces led by Howard Davidson<sup>53</sup> and Claire Chennault, have fought and worked long and hard and successfully to reestablish land communications with China. Japan had succeeded in blockading China both on land and on sea. China was accessible to the rest of the world only by a hazardous air route flown by American airships, carrying American war supplies to China. The opening of the Stilwell Road reestablishes ground transportation to China. It is not, of course, comparable to the American achievement in building a "bridge of ships" across the Atlantic, through the German blockade, to carry food and clothing for civilians and war equipment and war supplies and millions of American soldiers to defend Britain. The opening of the Stilwell Road is not comparable to American achievement in building battlecraft which have enabled the United Nations to reestablish the freedom of the seas. The Stilwell Road is a symbol of America's unselfish purpose and of their loyalty to her Allies. Less than 3 percent of American lend-lease has come to China. However, I wish to say to my fellow Americans that for the road, for the air route, for the supplies and for the efforts of American soldiers, Chinese everywhere are expressing their everlasting gratitude.

The Generalissimo and General Wedemeyer are now collaborating to destroy the Japanese forces in China. The forces of MacArthur<sup>54</sup> and Nimitz<sup>55</sup> have defeated the Japanese in battle after battle in the Pacific. The imperialistic designs of Japan to dominate other peoples and other nations has failed. There is growing opinion that the last

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<sup>53</sup> Commanding General, 10th U. S. Air Force, India.

<sup>54</sup> General of the Army Douglas MacArthur, Supreme Commander, Allied Forces in the Southwest Pacific.

<sup>55</sup> Fleet Admiral of the Navy Chester W. Nimitz, Commander in Chief of the Pacific Fleet.

battle and final victory of the United Nations will be the defeat of Japan on the soil of China.

There will be hard battles and anxious days before the final victory but China will fight on. The people of China are inspired by the ideal of a 'Government of the people, by the people and for the people'. They are inspired by the principles of the Atlantic Charter;<sup>56</sup> 'they respect the right of all peoples to choose the form of government under which they will live'. China fights for freedom and justice. With the unconquerable spirit and the idealism of 450 million Chinese, under the heroic and brilliant leadership of Chiang Kai-shek, America sees emerging from this war a free, united, democratic and happy China."

HURLEY

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851G.01/1-3145

*The Ambassador in China (Hurley) to the Secretary of State*

No. 111

CHUNGKING, January 31, 1945.

[Received February 10.]

SIR: Mr. Achilles [*Achille*] Clarac, Counselor of the French Embassy, called on Counselor Atcheson on January 26, 1945 and handed him the enclosed "note"<sup>57</sup> in French with English translation which he requested be forwarded to the American Government. The note appears to be self-explanatory. Mr. Atcheson made no comment to Mr. Clarac in regard to its contents.

[Here follow two paragraphs concerning American policy toward Indochina.]

One aspect of the maneuvers in China of the imperialistic powers which has struck me since the beginning of my sojourn here is the assistance rendered to them (especially to the British) by American lend lease. The British intelligence and other agencies in China are supplied by air in lend lease planes. General A. Carton de Wiart, Personal Representative of Mr. Churchill and head of most of the widespread British intelligence system in China, has a personal American lend lease plane. It has been my observation that British agents here are opposed—some of them frankly so—to our policy of working for a strong, united and democratic China. China is not, of course, the only part of the world in which American lend lease has been used, is being used and will be used for the purpose of defeating the principles for which we profess to be fighting this war. I do not blame the British or other lend lease beneficiary governments for employing lend lease or other aid to attain their ends. I feel that it is at least in

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<sup>56</sup> Joint Declaration on August 14, 1941, by President Roosevelt and British Prime Minister Winston S. Churchill, Department of State *Bulletin*, August 16, 1941, p. 125, or 55 Stat. (pt. 2) 1603.

<sup>57</sup> Not printed.

part our fault that they are able so to do. From my observations in China I am of the opinion that responsibility for this situation rests in considerable measure upon ourselves for failure to implement concretely the policy to which we are committed. The apparent continuing lack of affirmative American policy on the question of the future status of Indochina will eventually result in a vitiation of what I understand to be among the fundamentals of our war aims insofar as that country is concerned.

Respectfully yours,

PATRICK J. HURLEY

893.85/2-145

*Memorandum by Mr. Huntington T. Morse, Assistant to the Administrator of the War Shipping Administration (Land), to the Chief of the Shipping Division (Saugstad)*<sup>58</sup>

WASHINGTON, February 1, 1945.

The representatives of the Communications Department of the Chinese Supply Commission of which, as you know, the Chinese Ambassador is Chairman, have recently requested the War Shipping Administration to consider establishing a program for the allocation of additional Liberty ships (or other type vessels as they become available) to the Chinese Government on a "bareboat out, time charter back" basis. The War Shipping Administration has, as you know, already turned over three Liberty ships to the Chinese Government on this basis. One of these vessels was lost in enemy action.

The request of the Chinese Government was presented by Mr. Wang, Chief of the Communications Department of the Chinese Supply Commission, and Mr. Wei, who is in the Navigation Section of that Department. Messrs. Wang and Wei stated that they would like to arrange a program under which Chinese deck and engine room officers would be brought from China to the United States for further training here. Upon the completion of such training these men would, it was hoped, be available, together with Chinese unlicensed personnel which is in abundance in this country, to man Liberty ships. Mr. Wei said that for one Liberty ship the Chinese Government would bring, from China, the following personnel:

Master . . . . .	1
Officers . . . . .	3
Chief Engineer . . . . .	1
Assistant Engineers . . . . .	3
Radio Operators . . . . .	2
Purser . . . . .	1

Total

11

<sup>58</sup> Transmitted to Henry L. Deimel of the Shipping Division, by Jesse Saugstad in his memorandum of February 6, not printed.

Cadets		
deck . . . . .	4	
engineer . . . . .	4	
	<hr/>	
<b>Total</b>		8
Gun crew		
officer . . . . .	1	
men . . . . .	26*	
	<hr/>	
<b>Total</b>		27
		<hr/>
<b>TOTAL</b>		46

\*Including two signal men and one radio operator. [Footnote in the original.]

Mr. Wei reviewed the shipping situation in China pointing out that, as a result of the Japanese occupation of the Chinese coastline, the men and officers manning the 500,000 tons of Chinese shipping prior to the Japanese war had, at best, become "rusty." He indicated that it was the opinion of his Government that considerable trained personnel would be required as soon as the Chinese coast was reopened and that it would be to the advantage of the United States to have such personnel available. He indicated that his Government would like to have a program established calling for deliveries of between 30 and 50 ships to the Chinese Government. He pointed out in this connection, however, that it was not expected that all these ships would be Liberty ships but many of them could be much smaller vessels. "Whatever might be available", said Mr. Wei.

We advised the representatives of the Chinese Government that the War Shipping Administration would not be willing to commit itself to supply any specific number of ships to the Chinese Government and certainly could not, at this time, bind itself to an undertaking which met, quantitatively, the above stated request of the Chinese Government. However, we did indicate to these gentlemen that, subject to State Department and F. E. A. clearance, the War Shipping Administration might consider the possibility of scheduling, say, one Liberty ship for delivery to the Chinese Government every two months for the next ten months.

The Chinese Government intends to select, for the licensed personnel to be included in this program, men who are competent and experienced and the training they would receive here would, according to Messrs. Wang and Wei, be in the nature of refresher courses. The "cadets" will be young men who have been graduated from the Chinese Merchant Marine Academy and it is intended that they would be placed aboard the requested vessels in order to obtain sea experience.

Under the circumstances, this arrangement would be advantageous in that it would conserve U. S. manpower by utilization of Chinese crews. There is also a financial advantage in turning the vessels over to the Chinese Government as the operating costs would be somewhat less than if the vessels were operated with U.S. crews. Furthermore, there is without doubt some merit in the representations of Messrs. Wang and Wei as to the desirability of having trained Chinese seamen available at the time when the Chinese coast is opened up.

While the W. S. A. is of the opinion that a program such as the one heretofore outlined would be desirable and would not be detrimental to the war effort, it is our view also that the matter appears to involve over-all policy and political considerations and, before taking any action in the matter, we should appreciate the favor of your advices as to whether the program would meet with the approval of the Department.<sup>59</sup>

HUNTINGTON T. MORSE

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740.0011 PW/2-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 6, 1945—2 p. m.  
[Received 2:25 p. m.]

177. (1) Following is substance of interview of February 2 between French Military Attaché<sup>60</sup> (ReEmbs 116, January 26, 3 p. m.<sup>61</sup>) and General Wedemeyer which latter has authorized me to report to State Department: Japanese are now assuming a more exacting and arrogant role in Indo-China where they are concentrating stronger forces. Should they demand that French troops disarm and disband, those who can will disperse into hills where they will continue to conduct underground and guerilla activities, but some units may be compelled to retire to Yunnan. In such event, they would urgently require medical and communications equipment. He expressed special concern over the attitude of the Chinese toward those troops who might be forced over the frontier into China and suggested that a competent member of the French mission now with General Ulatratten [*Admiral Mountbatten?*] be despatched to Chungking as liaison officer at American headquarters here.

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<sup>59</sup> In response to this communication, Mr. Saugstad stated in a memorandum of March 20 to Mr. Morse: "As you have been informed by phone, we have discussed the matter with the Department's Division of Chinese Affairs, and neither Mr. J. C. Vincent, the Chief of that Division, nor I see any objection, from the point of view of the Department of State, to carrying out a program along the lines indicated in your memorandum."

<sup>60</sup> Jacques Guillermag.

<sup>61</sup> Not printed.

(2) Consonant with standing instructions from War and State Departments, General Wedemeyer reports he has maintained non-committal policy vis-à-vis Indo-China. In this particular instance he states he informed French Military Attaché that situation latter described was probably well known to leaders of French and American Governments and that it would have to be dealt with by competent higher authorities. This Embassy has consistently advised the French here that policy on Indo-China must originate in Washington and Paris not in Chungking. Wedemeyer states that French are voluntarily furnishing valuable information to his headquarters and 14th Air Force and would like this to be continued.

HURLEY

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740.0011 PW/2-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 6, 1945—3 p. m.

[Received February 6—1:40 p. m.]

178. Following summary M[ilitary] A[ttaché]'s review week ending 3d:

(1) Jap drive in S. China continued unabated. Suichuan fell to enemy on 30th, Kukong on 31st. Jap column from Leiyang (Hunan) captured Chenhsien completing occupation of all but small portion of Canton-Hankow Railway. Enemy continued to expand positions along China coast particularly in area between Canton and Swatow. Continued consolidation of enemy positions along China seaboard expected in coordination with interior drive. Recent unconfirmed reports of large enemy troop movements into Indo-China from Nanning area difficult to evaluate; may be reinforcements for Indo-China garrisons or fresh troops for projected offensive against Kunming, may also be merely withdrawal to original positions of troops which invaded China late December to secure vulnerable communication lines in that area.

(2) Activity of 14th A[ir] F[orce] limited by poor weather to attacks on Conviyc [*convoys and?*] railroads in Nanking, Pengpu, Hengshan and Hankow areas and along Pinghan Railway. Fighter patrol maintained over Stilwell Road but no enemy planes encountered.

HURLEY

124.936/2-1545

*Memorandum by the Second Secretary of Embassy in China  
(Boehringer)*<sup>62</sup>

[CHUNGKING,] February 6, 1945.

The tenth weekly meeting of representatives of U. S. agencies in Chungking was held at the Embassy at 10:30 a. m., February 6, 1945. General Hurley, the Ambassador, presided over the meeting which was attended by the following:

[Here follows list of those present.]

General Hurley introduced General Olmsted,<sup>63</sup> whom he said he had known for many years as a first class soldier and successful executive. General Olmsted referred to the setting up of a G-5 organization in U. S. Army Headquarters here and said the form it would eventually take would resemble that at U. S. Army Headquarters at Cairo rather than at headquarters in Italy or western Europe. He said that G-5 here would be comprised of five branches, the names and activities of which are stated in the enclosed organization chart dated February 6, 1945.<sup>64</sup>

Dr. Sumner asked how UNRRA<sup>64a</sup> fitted into the picture insofar as China was concerned. General Olmsted stated that UNRRA would take over control of economic relief and rehabilitation after the Civil Affairs Branch of G-5 had completed its work of preventing disease and unrest in the liberated areas. Mr. Jacobson<sup>65</sup> observed that American agencies in China faced a very great problem and that it would be desirable to know something about the scope of activities of UNRRA, FEA and the Chinese WPB. He said the organic law establishing the Chinese Relief and Rehabilitation Administration reportedly contained provisions permitting that Administration to take over certain functions of the Chinese WPB. After stating that it was obviously desirable to have a clear understanding of the relief activities of various U. S. agencies, General Olmsted said it was the intention of the U. S. Army in the China Theater to get out of civil affairs work as rapidly as possible.

Mr. Service<sup>66</sup> stated that the U. S. Army would undoubtedly have to concern itself with the logistics of UNRRA supplies for China. General Olmsted expressed concurrence.

<sup>62</sup> Copy transmitted to the Department by the Ambassador in China in his covering despatch No. 145, February 15; received March 3.

<sup>63</sup> Brig. Gen. George Olmsted, Assistant Chief of Staff, G-5 (Civil Affairs), U. S. Army Headquarters in China.

<sup>64</sup> Not printed.

<sup>64a</sup> United Nations Relief and Rehabilitation Administration.

<sup>65</sup> James A. Jacobson, Assistant American Adviser to the China War Production Board.

<sup>66</sup> John S. Service, Second Secretary of Embassy.

General Hurley said there appeared to be a need for coordination of effort among various U. S. agencies planning to engage in relief work in China and that, in this connection, it might be desirable to invite Mr. Benjamin H. Kizer, Director of the China Office of UNRRA, to attend the weekly meetings. He stated there were several factors, such as the international nature of UNRRA, which might make it inadvisable to do so.

Mr. Jacobson stated that the Nelson Group was now planning to bring to China about 20-25 experts to assist the Chinese WPB and that included among them would be four experts to be designated for service in the WPB as aides to the directors of the key departments of raw materials, priorities, manufacturing, and finance. He said that among the other experts would be four or five iron and steel experts, including one coal washing and coke manufacturing expert, who would replace the four experts who have been here since November, 1944. Mr. Jacobson went on to say that two petroleum and one textiles experts were included among those due to arrive here from the United States in the near future.

General Hurley introduced Lieutenant Wiens who said he was a U. S. Navy officer assigned for duty with OSS and had been designated director of the American Publications Service (IDC) to replace Dr. Kates.<sup>67</sup> He said he expected to take charge on February 10; that he would operate the Service under the Research and Analysis Section [*Branch*] of OSS; and that policies in the future would be determined by Captain Clarence Weems, U. S. Navy officer assigned to OSS and working with the U. S. Naval Group, China. Lieutenant Wiens said he intended to carry on the work of APS on substantially the same lines as at present but that, in accordance with arrangements made recently by General Donovan<sup>68</sup> with General Tai Li,<sup>69</sup> he expected to have important material available for microfilming which Tai Li had heretofore refused to have microfilmed at the APS office. He said it was also planned to take the microfilming equipment to Tai Li's headquarters outside Chungking to microfilm certain material classified as top secret. Lieutenant Wiens expressed a desire to cooperate with other U. S. agencies and requested their assistance in procurement of enemy publications, documents, et cetera, for microfilming.

In response to a question by General Olmsted, Lieutenant Wiens explained briefly the activities of APS. He added that although APS in the past was not concerned with the "processing" of material from enemy publications, it was possible that eventually the Research and Analysis Section of OSS would attempt such work for local use.

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<sup>67</sup> G. N. Kates.

<sup>68</sup> William J. Donovan, Director of the Office of Strategic Services (OSS).

<sup>69</sup> Director of the Chinese Central Investigation and Statistics Bureau.



In response to a question by Mr. Herman<sup>70</sup> whether there would be any change in the relations between APS and the Coordinated Translation Center, which maintained offices in the APS office, Lieutenant Wiens stated that Captain Weems was empowered to determine future relations between the two organizations.

Major McNair<sup>71</sup> stated that Colonel C. C. Dusenberry had been appointed Military Attaché in place of Colonel DePass.

General Hurley adjourned the meeting at 11 : 50 a. m.

CARL H. BOEHRINGER

740.0011 PW/2-1245

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Acting Secretary of State*<sup>72</sup>

[WASHINGTON,] February 12, 1945.

MR. GREW: With regard to the announcement last week of the appointments of General Ho Ying-chin as the Commander in Chief and General Lung Yun as Deputy Commander in Chief of Chinese ground forces with headquarters at Kunming, you will recall (1) that General Ho was replaced as Minister of War last autumn by General Chen Cheng; (2) that our own Army authorities have had reason to complain against General Ho as being uncooperative; (3) that General Ho's anti-Communist attitude is considered a principal stumbling-block to a settlement between the Chinese Government and the Chinese Communists; and (4) that the Russians regard Ho as pro-Japanese and hence untrustworthy. In the thought that you may be asked for comment by correspondents on the appointments, the following non-committal statement has been prepared:<sup>73</sup>

The appointments, of course, relate to the internal military situation in China and may be interpreted as action by the Chinese Government to fortify its military position vis-à-vis Japanese forces. Any action by the Chinese Government in this direction is manifestly welcome to us. American forces, under the command of General Wedemeyer, are cooperating with Chinese forces in action to strengthen their defensive position against the Japanese and in making plans to assume the offensive. The selection of Kunming as headquarters for Chinese ground forces is in itself significant. The city is strategically located as the receiving point for supplies over the "Hump" and over the new Stilwell road, and as the base for organizing an offensive by Chinese armies to drive the Japanese from south China.

General Ho has been for many years a trusted military adviser and associate of Generalissimo Chiang Kai-shek. He participated in the

<sup>70</sup> T. Herman, of the American Information Service.

<sup>71</sup> Roy P. McNair, Assistant Military Attaché in China.

<sup>72</sup> Drafted by the Chief of the Division of Chinese Affairs (Vincent).

<sup>73</sup> The occasion did not arise for such a statement at a press conference.

northern drive of the forces under Chiang in 1926 as Commander of the East Route Revolutionary Army and was for about 15 years Minister of Military Administration in the National Government.

General Lung Yun, who is currently Chairman of the Yunnan Provincial Government, also participated in the northern expedition under Chiang in 1926-27 as an Army Commander.

J[OSEPH] W. B[ALLANTINE]

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740.0011 PW/2-1245: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 12, 1945—10 a. m.

[Received 7:23 p. m.]

209. Following summary Military Attaché's review week ending 10th:

Capture by Japs of U. S. air base at Kanhsien on February 6 marked completion of all immediate enemy objectives with exception of small portion Canton-Hankow Railway still being contested by Chinese guerrillas. With capture of remaining section Japs will be in position to drive eastward toward coast, such moves already begun from Kanhsien, Kukong and Canton areas. Drive from Kukong reached Tayu and Hsinfeng (Kiangsi) and troops from Tsengcheng captured Lungmen. Recent strengthening of enemy forces in Nanchang-Chinhua areas indicates possibility of Jap drives southward to coordinate with thrusts from Hunan-Kwangtung. Large scale movement of enemy troops reported in north and central China; heavy troop movements down Tientsin-Pukow railway to Nanking-Shanghai-Hangchow areas; and arrival of three divisions to reinforce Shantung-Kiangsu area. Movements indicate trend toward consolidating enemy coastal positions against possible Allied invasion and attempt to secure internal positions against increasing guerrilla activity. No indications of enemy drive westward toward Sian at present.

HURLEY

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893.154/2-1245

*The Consul General at Kunming (Langdon) to the Ambassador in China (Hurley)*<sup>74</sup>

No. 65

KUNMING, February 12, 1945.

SIR: I have the honor to report that the first American convoy to reach China from India arrived in Kunming on Sunday morning, February 4, and was greeted with an impressive ceremony.

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<sup>74</sup> Copy transmitted to the Department by the Consul General at Kunming without covering despatch; received February 27.

The convoy, consisting of 113 vehicles, many of them mounting 105, 75 and 37 mm. howitzers and guns, left Ledo in Assam on January 11 and stopped eight days at Myitkyina and three days at Namhkhan, with overnight stops elsewhere along the road. The distance of some 1100 miles was covered without mishap.

[Here follows description of welcoming ceremonies.]

Many Chinese and foreign spectators of the ceremonies just mentioned stated that the feature of the historic affair which impressed them most was the appearance of the Chinese enlisted men who manned the convoy with the Americans. These men were from Ramgarh, India, (American-trained) units, most of them veterans of the North Burma campaigns. Sturdy, clean-cut, confident, and jaunty, and dressed in khaki woollens and British-type helmets, they looked as unlike their local brothers in Chinese uniform as men of a different race. It did not seem possible that food, good care and training could work such a physical and psychological transformation on ordinary Chinese peasant soldier material. No doubt many Chinese thinking spectators looked into the future and saw in these Chinese soldiers samples of the Chinese masses under a modern, efficient and socially-solicitous government. It is of interest in this connection that the Chinese spectators seemed proud of those soldiers (although they regarded them as aliens), and that General Lung<sup>75</sup> insisted on inviting all the Chinese enlisted men of the convoy to his reception, where it may be added they did not seem incongruous rubbing elbows with American and Chinese military and civilian dignitaries at that large gathering.

The day following the ceremonies, the British Embassy's Press Attaché's office in Kunming, in its daily news bulletin ran an article about the opening of the Ledo Road and Great Britain's part in it: General Wingate's Chindits, the 14th Indian Army's pressure on the Japanese in the Kohima-Imphal area and its defense of the Bengal-Assam Railroad over which the Ledo Road construction was fed, the labor on the Road contributed by Indian coolies, et cetera. Outside of passing reference in Governor Lung's address to the British and Indians who worked and fought on the Road, there was no visible acknowledgment in the ceremonies of the British part. The affair was a purely Chinese-American one, with no flags, speakers, national anthems, or portraits of heads of state other than American or Chinese. I learned that the different British organizations and groups here felt very hurt over the omission.

In an interview after the ceremonies, General Pick<sup>76</sup> stated that another convoy from India was well on its way to Kunming and that

<sup>75</sup> Chairman of the Yunnan Provincial Government.

<sup>76</sup> Brig. Gen. Lewis A. Pick, in charge of Ledo Road construction.

many more convoys would soon follow regularly. Presently, overnight hostels for the drivers are being organized, he added. It is known from an authoritative source that the bed of the Tengchung-Myitkyina cut-off is completed and open at least to jeep travel.

Respectfully yours,

WM. R. LANGDON

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740.00119 P.W./2-1545

*The Secretary of State to the Ambassador in China (Hurley)*

No. 46

WASHINGTON, February 15, 1945.

The Secretary of State quotes below a statement from an article entitled "Pillars of Peace for the Pacific" which appeared in the April 1944 edition of *Free World*:

"The problem of the Chinese Eastern Railway has been simplified by its sale by Soviet Russia to 'Manchukuo' in 1934. When the Chinese representative in Moscow protested against a sale made without the assent of the Chinese Government the Russian authorities explained that when China recovered Manchuria the railway would be included and Soviet Russia would not retain a share in it. The transaction would indeed, as the Russians further philosophized it, amount to Russia's giving up the railroad in favor of China—with Japan paying the bill!"

The author of this article, Wu Nan-Ju, formerly was China's Minister to Denmark and was last reported to be attached to the Ministry of Foreign Affairs in Chungking.

While it is realized that it would probably be a difficult and delicate matter to ascertain whether the Chinese Government has a record of any such commitment by the Soviet authorities as that alleged in the foregoing statement, the Department would be interested in any information in regard to the matter in case the Embassy should feel in a position to make inquiries.

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740.0011 P.W./2-645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 16, 1945—8 p. m.

266. The Department is in agreement with the policy adopted by the Embassy and General Wedemeyer as set forth in the second paragraph of your telegram no. 177, February 6, 2 p. m.

Questions arising out of the entry into China of French troops or guerrillas are, of course, matters to be settled directly by the French and Chinese, but this would not preclude the American military and other authorities from being helpful to the French where feasible and

appropriate as, for example, in arranging for supplying medicines. The Chinese should, of course, be informed of any supplies given to the French under such circumstances.

GREW

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740.0011 P.W./2-2045 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 20, 1945—2 p. m.

[Received 2:45 p. m.]

257. In accordance with a plan developed by the Chinese and American military authorities, all available and qualified Chinese troops stationed south of the Yellow River are to be welded into a striking force comprising five army groups. Because Kunming is a natural base of supplies and a natural staging area for any general offensive in China, it has been selected as "General Headquarters of the Chinese Armed Forces". Ho Ying-chin, a trusted follower of Chiang, has been appointed Commander in Chief. (This telegram is in reply to Department's 241<sup>78</sup> sent in plain language.)

Ho and Lung Yun have long been personal and political enemies, but it is reliably reported that, since his arrival in Kunming, Ho has been making a sincere effort to weld Lung's forces with those of the Central Government's stationed in Yunnan. For that reason, he is said to be advocating measures which would (1) make available to General Lung and his troops a substantial portion of the American arms and equipment soon to be available in Kunming, and (2) place General Lung in position to profit by the reopening of the Burma Road. This political maneuvering would tend to explain (1) the appointment of General Lung as Deputy Commander in Chief, and (2) the selection for high office in Ho's general staff of a substantial number of Yunnanese army officers.

Other factors which may have entered into the appointment of General Lung include (1) need to clarify a conflict of jurisdiction which came about through the appointment of General Ho in supreme command in an area in which the influence of General Lung has long been paramount and (2) necessity of assuaging the injured dignity of General Lung who has made no secret of his chagrin over certain recent appointments of the Central Government, including General Hu Fei-peng as Minister of Communications and that of Ho Ying-chin himself.

ATCHESON

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<sup>78</sup> February 12, not printed.

740.0011 P.W./2-2845

*Report by the Second Secretary of Embassy in China (Service)* <sup>79</sup>

No. 6

[CHUNGKING,] February 23, 1945.

*Summary.* A plan has been initiated by Chinese capitalists in Shanghai, approved by a Chinese official in Chungking, and passed to the British for consideration, whereby Shanghai will be declared an "open city" if all Allied military activity in the area is prohibited. Ostensibly designed to save Shanghai from being "scorched" by the Japanese, the plan will work in favor of the Japanese and greatly hamper any military operations by us to capture and use this important base. The plan is actually a type of "peace feeler" and is definitely a preliminary to further compromising attempts to preserve Chinese and Japanese economic interests in occupied China, to bring about peaceful fusion of Central and puppet administrations, and to forestall Communist attempts to gain control. It will be a serious mistake for us to agree to any such proposal. Detailed comment follows. *End of Summary.*

1. The attached document <sup>80</sup> is a copy of a letter from an officer of General Wang Peng-sheng's intelligence organization—reputedly directly under the Generalissimo—to an officer of the British Embassy (and Intelligence Service). It quotes and approves a plan contained in a telegram from a Mr. Chang Tzu-yu in Shanghai to make that place an "open city" to be "centered around former Foreign Settlements and Concessions." The British, whose "consideration" was asked, have passed it to us confidentially.

2. This proposal is of great interest as an indication of the situation we will confront as the war in China draws close to the large Japanese-occupied cities.

*a.* Both puppet and Central Government Chinese are desperately anxious to avoid warfare which may destroy their main economic centers, where many of them personally are heavy property owners and where many of their families and relatives still reside. They wish to have a peaceful, arranged turn-over of authority, which can bridge the gap between Japanese-puppet administration and full Central Government control and rob the Communists of the excuse or opportunity for the active role which the Communists plan to take in the "liberation" of these cities.

*b.* In addition to the immense military usefulness of these cities to the Japanese, there are large Japanese populations and huge economic interests which the Japanese hope to protect and preserve. The Japanese also fear left-wing movements and, with the loss of the war certain, are sure to try to salvage all they can by any feasible compromise with the conservative groups in China—puppet and Cen-

<sup>79</sup> Copy transmitted to the Department by the Chargé in China in his despatch No. 189, February 28; received March 17. The despatch stated: "The Embassy concurs in Mr. Service's comments regarding the plan."

<sup>80</sup> Not printed.

tral Government. The threat to carry on a desperate "last ditch" struggle in China and to destroy these cities, is thus being used by the Japanese as a potent form of psychological warfare.

*c.* In the attempt to keep the war away from these cities, there is therefore a community of interest between the Central Government, Puppets and Japanese. The cat is let out of the bag in the final sentence of the first paragraph: ". . .<sup>81</sup> all possible must be done to prevent Shanghai being destroyed by a Japanese 'scorched earth' policy or by an Allied offensive in that area." With its military usefulness to them, and their large economic interests in Shanghai, the Japanese will be very glad to trade their threat of a "scorched earth" for the Allied promise to refrain from an offensive in that area.

*d.* It is clear that if this proposal succeeds, either in its present or a modified form, it will become the pattern of attempts to have other large cities protected in a similar manner. As far as the Chinese are concerned, they will be glad to have the whole of occupied China declared an "open city".

3. Since only the Japanese can declare Shanghai an "open city", the proposers can hardly be so naive as to have failed to at least consult with the Japanese. Certainly the plan favors the Japanese.

*a.* Offers to release internees and POWs mean little because most of them are not kept in Shanghai.

*b.* It is not specified that the Japanese will be denied transit privileges and use of the harbor and adjacent railway facilities. On the contrary, "free entry and exit . . . is to be recognized."

*c.* Most of the Japanese industries will apparently be permitted to continue since, as Shanghai is chiefly a light industrial center, it can be argued that they are not strictly military. It is evident that no interference with Japanese properties is intended since the author of the proposal is "of the opinion that this . . . will meet with success for the simple reason that many important Japanese personalities own extensive properties in Shanghai." It is probable, in any event, that most of these have already, or will before the end of the war, been placed under nominal Chinese control.

*d.* Although it is stated that Japanese and puppet police will be withdrawn and military activity cease, it is difficult to see how the governing committee will "form and maintain a local defence corps" except by putting puppet troops in new uniforms.

*e.* In return for these empty concessions, which preserve Japanese and Chinese interests and do not deny Shanghai's usefulness to the Japanese, we are to refrain from "an Allied offensive in the area", give "a guarantee that all Allied guerrilla units will cease activities in the area concerned", and "prohibit the landing of troops and air attacks on the 'open city' area". According to this, even clandestine activities would have to cease, since these are usually claimed by Chinese as "guerrilla".

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<sup>81</sup> Omissions indicated in the original report.

#### 4. Other problems are raised.

*a.* The men suggested as the governing committee are probably not open puppets. But most of them should certainly be classed as "collaborators". The records of some, such as Yuan Liang, a former Japanese nominee as Mayor of Peiping, are not good.

*b.* If Shanghai is made an "open city", it will be jammed with refugees. The food problem in Shanghai is already serious. We can be sure that the Japanese will not take on the added responsibility. And the Chinese will be unable to.

5. The list of alleged "advantages" for the plan is worthy of some comment.

*a.* Should read: "Protect the property of Chinese and Japanese financiers and industrialists".

*b.* We are not interested in *neutral* investments and Allied investments are small in comparison to Japanese. They are less than one day's cost of the war.

*c.* This will result in the release of very few Allied POWs.

*d.* The "banditry" referred to will probably be, in large part at least, the activity of the Communists.

*e.* The attempt to "test Soviet policy toward Japan" is obscure. But it is something which we will be wise to avoid being involved with.

*f.* The influx of large numbers of refugees will bring a request for us to find some way to feed them: it is hard to see how it will dishearten the Japanese troops.

*g.* The "Japanese politicians and antiwar elements" who take "haven" in Shanghai will certainly be there with the permission of the Japanese. Shanghai will be a center of negotiation and compromise and the Chinese are glad to be the appeasing middlemen.

6. In addition to all of its obviously unfavorable aspects, we should recognize that the plan is unrealistic because of the certainty of independent Communist action. Communist guerrillas in unknown strength surround Shanghai. They claim to have an extensively organized underground within the city, especially among the industrial and dock workers. They openly talk of the united effort of these forces to liberate Shanghai from without and within. The liberation of Paris is their model. Shanghai is the biggest plum the Communists can get. They had it once in 1927, through a similar organization of workers (by Chou En-lai). This time nothing is going to stop them from making the attempt. They will recognize any such plan as this as being aimed in large part against them. They are therefore sure to continue and intensify their guerrilla and underground activity. The result will be disturbances which will cancel the whole scheme by requiring Japanese and puppet counter-measures and continuing Japanese occupation.

7. There are some interesting parallels between this proposal and a part of the Communist allegations of recent exchanges between



Shanghai and Chungking. Both originate from a man named Chang. Both speak of Chang sending a representative to Chungking to open a channel of communications. Both are aimed at the peaceful transfer of Japanese interests in Shanghai and the protection of the city from war. This communication—from a Chinese official—is the best possible confirmation that attempts to seek compromise are being made.

8. It is also interesting that the proposal was submitted to the British rather than to us. We, rather than the British, are militarily concerned in the China Theater. But British economic interests in Shanghai are greater than ours (though now less than the Japanese); the British fear the rise of "Communism" in China; and they are likely to favor an arranged peace in China which may permit fusion of the puppet and Central Government. Finally, many British, like General Wang Peng-sheng, favor a soft peace toward Japan. One can only draw the conclusion that the Chinese sensed that we would not approve the plan so hoped first to get British support before approaching us.

9. If the Chinese expected our disapproval, they are right. We cannot take action in regard to this specific proposal since we have learned of it only confidentially through the British. But we should take any opportunity to make clear our intention of attacking the enemy wherever he is. And we should keep a close watch for other peace feelers of this type which are sure to follow.

JOHN S. SERVICE

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740.0011 P.W./2-2445: Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, February 24, 1945—8 a. m.

[Received February 25—2: 55 p. m.]

283. 1. The French Counselor<sup>82</sup> called on me, at his request, late February 22 (ReEmbs 281 February 23, 3 p. m.<sup>83</sup>). He said that he wished to speak to me as a friend with complete frankness over a matter which had caused considerable concern and even some anger in his Embassy. He said that his Embassy had learned on good authority that there was being organized [in] Yunnan Province, with the assistance of American military officers, Chinese expeditionary force designed for use in Indo-China. He said the French had not been officially informed in regard to this project or asked to collaborate or participate in it although it was well known that France was anxious to collaborate in fighting against the Japanese in Indo-China

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<sup>82</sup> Achille M. Clarac.

<sup>83</sup> Not printed.

and was herself organizing in France an expeditionary force prepared to proceed to the Far East for that purpose. He said, in response to my question, that his Military Attaché had not discussed the matter at our Army Headquarters but added that General Pechkoff, the French Ambassador, had in the past had some discussions with General Wedemeyer with regard to French Indo-China; that the French had high regard for Wedemeyer who had always dealt with them in a very frank as well as friendly way; and that General Wedemeyer had said that he was concerned with military matters only and not political matters. Clarac went on to say that there were obvious political considerations in connection with the specific matter under discussion and the French Embassy would like to have it referred to Washington.

Clarac also inquired whether the French Embassy's note on the French position in respect to Indo-China of January 19, 1945<sup>84</sup> (our despatch No. 111 January 31) had been referred to the Department. I told him that it had gone forward some time ago.

2. In the absence of General Wedemeyer, the above had been shown to Brigadier General Gross, Acting Chief of Staff. Gross was non-committal in comment. Department may wish to discuss this new question with Generals Hurley and Wedemeyer when they reach Washington.

ATCHESON

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740.0011 P.W./2-2545 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, February 25, 1945—8 a. m.

[Received 1:19 p. m.]

287. Following is summary [of Military Attaché's<sup>85</sup>] review week ending 24th:

1. Enemy activity during week mainly that of consolidating, reinforcing newly won positions. Canton-Hankow Railway now entirely in Jap hands. Enemy troops from Kukong and Kanhsien effected junction thereby surrounding unknown number of Chinese troops previously defending railroad, but latter troops so reduced in number and efficiency that capture or disintegration no bearing on Chinese overall defensive position. Japs have expanded and consolidated coastal positions in Kwangsi and now hold entire area between Canton and Swatow. Enemy troop increases and improvement of communication lines in Paoching area point toward possible early drive against

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<sup>84</sup> Not printed.

<sup>85</sup> Col. Carlisle C. Dusenbury.

U. S. air base at Chihchiang. Chinese report small scale fighting west of Paoching.

2. No change in air situation. Enemy air force continues to be [impotent] and unaggressive apparently reserving operational aircraft on China [front?] in anticipation of possible U. S. landings on China coast, Formosa or Hainan.

ATCHESON

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740.0011 P.W./2-2845 : Telegram

*The Acting Secretary of State to the Chargé in China (Acheson)*

WASHINGTON, February 28, 1945.

340. Associated Press article<sup>86</sup> from Luzon, appearing in most papers this morning, quotes W. H. Donald<sup>87</sup> as saying in an interview that Chiang Kai-shek indignantly turned down at least 12 Japanese peace offers from 1938 to 1940. Donald is quoted as saying: "I am convinced the Generalissimo is genuinely fighting a sincere and determined war against Japan. He refused even to consider any peace offer although the Japanese proposed favorable terms which he could have accepted if he was primarily interested in political power. The Japanese sent 12 peace feelers through neutral ambassadors and prominent individuals. The terms—Chinese recognition of Japan's conquest of Manchuria, granting certain economic and exploitation rights in North China, and political adjustment of Inner Mongolia to prevent any extension of Russian influence there from Outer Mongolia." The Japanese made no territorial demands in these offers, AP reports Donald as saying. Donald is also reported as saying that Chiang's attitude was typified by his comment in refusing one offer—"there will be no peace while a single Japanese soldier remains on Chinese soil."

GREW

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FE Files, Lot 52-354

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*

[WASHINGTON,] March 1, 1945.

#### OUTLINE OF CURRENT CHINESE SITUATION

##### *Political*

The political situation in China centers on the lack of internal unity. Such disunity is the result mainly of (1) the incomplete degree of

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<sup>86</sup> The *New York Times*, February 28, 1945, p. 4, col. 7.

<sup>87</sup> Australian, formerly adviser to Generalissimo Chiang Kai-shek.

unification which China, under the spur of Japanese aggression, had reached with the commencement of hostilities in 1937, and (2) the inevitable stresses and strains of long years of war for which China was politically, militarily and economically unprepared. The principal contending political groups in Free China are the Kuomintang, the Communists, and a heterogeneous group of dissident elements.

*The Kuomintang* (National Party), which administers, and in effect is, the National Government during the "tutelary" (pre-constitution) period prescribed under Sun Yat-sen's program, still controls the greater part of Free China, though its effectiveness has been progressively weakened by the maladministration, disintegrating effects of the war, popular discontent, and political opposition. This party, which is headed by President Chiang Kai-shek, has manifested reactionary and totalitarian tendencies, but it includes liberal elements.

*The Communists*, adjusting their program to one of agrarian and "democratic" reform through which they aim ultimately to pass into a system of Marxian socialism, have established effective administrations in large areas, mainly in north China behind the Japanese lines. They are steadily gaining in material and popular strength as a result of strict leadership, sympathetic treatment of the peasants, and organization of resistance to Japan on a popular basis.

*The dissident elements* comprise various minor parties, liberals and provincial groups, concentrated largely in south China. While potentially important, they are weakened by lack of leadership and a clear-cut program and by diversity of interests.

An encouraging factor is the fact that both the Communists and the dissident elements have thus far recognized the National Government's authority and Chiang Kai-shek's leadership and that they join with the Kuomintang in supporting Sun Yat-sen's Doctrine of the "Three Principles" (nationalism, democracy and people's livelihood), resistance to Japan and the concept of national unity. There exist, however, fundamental differences centering on the manner of conducting the war and achieving political democracy.

Following a long period of deteriorating relations, which commenced soon after the "united front" agreement in 1937, the Kuomintang (Government) and the Communists have undertaken new negotiations for a settlement, assisted by the friendly good offices of Ambassador Hurley. The negotiations narrow down to a contest for power, with the Kuomintang seeking to protect its vested interests by ensuring perpetuation of its control, and the Communists endeavoring to safeguard their existence and desire for expansion. The Kuomintang, in its latest offer, has indicated a readiness to admit Communist and other party representatives in the cabinet; to establish a committee of three to consider reorganization and supply of

the Communist army, with the Kuomintang and Communist representatives having equal status and possibly an American Army officer presiding; and to convoke a multi-party conference to consider interim measures of unification pending convocation of a national congress. This offer, involving some concessions by the Kuomintang, appears to have been rejected by the Communists, who assert that it would mean retention of one-party government and that Government's control of Communist troops. It seems clear that the Communists are above all unwilling to subordinate their army to the existing government and that they maintain as their main desiderata the immediate ending of "one-party (Kuomintang) government" and its reorganization into a "democratic coalition" in which they would be assured a full voice. The Communist representative at Chungking has recently stated to Ambassador Hurley the opinion that the Chinese delegation to the San Francisco Conference should include representatives of the Communist Party and the Democratic Federation (of minor parties).

The dissident elements, including liberal elements in the Kuomintang, have also been working for establishment of a coalition government and for other "democratic" reforms, but it is not clear to what extent they have established a basis for collaboration among themselves and with the Communists. Meanwhile the situation is further complicated by the puppet Chinese governments and forces set up by the Japanese. Puppet China is filled with pockets of Communist guerrilla resistance, and one aspect of the fundamental struggle for power between the Kuomintang and the Communists is the competition to win over puppet troops which is already in evidence and is certain to become increasingly important as the Japanese are driven from China. The only hope of preventing further disunity and eventual civil war will lie in the creation of a democratic framework within which the opposing groups can reconcile their differences on a political level.

China's disunity is of vital concern to the United States. It seriously impairs the war effort, prevents effective military coordination, and diverts Government and Communist troops from the fighting fronts. From the long-range standpoint, it endangers prospects for China's fulfilment of her needed role as a principal stabilizing factor in East Asia. While Russia lends no direct material support to the Communists, the latter unquestionably derive indirect moral support from Moscow. There have been unmistakable indications that Moscow distrusts the Chinese Government and strongly approves the Communists' position. If Russia enters the war or if an open break between the Communists and the Kuomintang occurs, Russia may be strongly tempted to intervene in support of the Communists and to

assist them to establish an independent pro-Soviet state in north China or Manchuria. In any event, a China divided or hostile to any one of the other powers would be a constant invitation to international intrigue. Our principal political objective is a strong, stable and united China, which will throw its full strength into the war and which will cooperate whole-heartedly in the maintenance of peace and security.

While the fundamental differences between the Communists and the Kuomintang render the achievement of unity very problematical, recent developments indicate that Chiang is becoming increasingly aware of the urgent need for remedial action and that the situation is not without hope. A more considerate attitude toward the Communists had been evidenced by concessions toward conciliating them, by withdrawal of some of the Government troops assigned to watch and blockade them, and by authorization of the shipment to them of medical supplies. Gestures have been made toward meeting Soviet desires in Sinkiang and improving general relations with Russia. T. V. Soong,<sup>88</sup> and other progressives have been given posts of influence in the Government. A habeas corpus act and more liberal censorship regulations have been enacted. Chiang has given more specific assurances of the early establishment of constitutional government long postponed by the Kuomintang, and greater latitude has been allowed the People's Political Council (popular advisory body). The Government has made encouraging response to the recent appointments of Hurley, Wedemeyer and Nelson and is actively cooperating with their efforts and programs. This has already brought an improvement in the military, supply and economic situations (discussed below), which in turn has raised morale and created a better atmosphere for political reorganization. Such developments are only a beginning, however, and there is still serious danger that they may be too little and too late to save the Government from collapse or China from civil war.

### *Military*

For seven and a half years China, at the cost of incredible privations, losses and handicaps, has resolutely resisted Japanese invasion, rejected repeated peace offers by Japan, and held down a large part of the Japanese army. This in itself has constituted a significant contribution to the war effort which should be kept in mind in evaluating the Chinese military picture.

Following the capture of Canton and Hankow by the Japanese in 1938, which climaxed Japan's initial drives and left her in control of sufficient ports, industrial areas and communications to ensure an

<sup>88</sup> Chinese Minister for Foreign Affairs.

effective blockade, the Japanese for several years deferred the difficult task of extending their lines into the generally mountainous interior and confined their activities mainly to consolidating their positions and to occasional raiding expeditions for the further disruption of Chinese economy.

In 1944, the Japanese, faced with certain loss of their Pacific empire and the necessity for preparing for a final stand in China, resumed major operations, which substantially advanced the Japanese lines in central and south China, brought the vital north-south rail trunk line from Peiping to Hong Kong rapidly under Japanese control, forced abandonment of valuable American air bases in east China, and threatened the capture of Chungking and Kunming.

These operations were, with few exceptions, ineffectively opposed by the Chinese and only retarded by brilliant work on the part of American air forces. They served to limelight deplorable conditions in the Chinese Government and provincial armies, inherited from the "war lord" period and aggravated by the strain and privations of war, but attributable in large part to gross mismanagement and neglect. Such conditions included conscription abuses, neglect of training and discipline, incompetent leadership, underpay, shocking undernourishment and lack of medical care, defective and confused organization, personal allegiances, nepotism, graft, smuggling, oppression of the people, sickness and low morale.

These events and revelations produced a storm of criticism, brought home to Chiang Kai-shek the danger of his Government's collapse under internal and Japanese military pressure, and resulted in constructive efforts being made to reorganize and improve Chinese military forces. There also developed encouraging cooperation with Lieutenant General Wedemeyer, newly appointed Commander of American Forces in the China Theater, and with the Nelson mission.

Chiang has appointed as Minister of War a capable officer<sup>89</sup> who is very cooperative with our Army. A program for streamlining the Chinese Army and providing it with more adequate pay and food has been announced. The Nelson mission has brought about establishment of a Chinese War Production Board and War Transport Board, which, vested with over-all powers to direct and coordinate and actively guided by American experts, are drastically reorganizing the military production, supply and transport systems. Chinese Army Headquarters have been reorganized and transferred from Chungking to Kunming, a natural base of supplies and center for cooperation between Chinese and American forces. A new Services of Supply for the Chinese forces has been set up at Kunming, directed, in effect,

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<sup>89</sup> General Chen Cheng.

by an American officer.<sup>90</sup> Chinese troops south of the Yellow River are being regrouped to form a more effective force for offence. The training of Chinese personnel by the American Army is being accelerated. American officers and experts are being placed in key positions, and consideration is being given to establishment of a united high command, presumably headed by an American, which would coordinate operations of American units and Chinese forces, including, if possible of arrangement, the Communist army. All these developments reflect increasing cooperation by the Chinese Government with American efforts directed toward welding the Chinese armies into a compact striking force capable of playing a major part in driving the Japanese from China.

These developments, together with some improvement in domestic production of military supplies brought about by the Chinese WPB, an increasing flow of American military supplies resulting from expansion of our army air transport service and opening of the Ledo-Burma Road, and a cessation of Japanese advances toward Chungking and Kunming, have helped to restore morale and improve the picture considerably. Against such improvement, however, must be set the time limitations in the tremendous task of vitalizing the Chinese armies, continued advances and intensive consolidation by the Japanese in east China and along the coast, Japanese capabilities for further westward advances, and China's political disunity which prevents unification of Communist and independent forces with those of the Government.

Russia's entry into the war and American landings on the China coast would of course alter the whole picture and improve it greatly from a military standpoint. At the same time they might well complicate the political situation owing to the presence of Chinese Communist forces in strategic areas in the path of the Russian Army's advance on the coast.

### *Economic*

*Background factors.* China entered the war with undeveloped industrial and transport systems which were extremely inadequate for the needs of modern war. Owing to the incomplete state of China's unification, Government control and direction over the internal economy have been very difficult. China has been under rigid enemy blockade through which little war material and almost no consumer goods have been able to pass. China's industrial areas and key transport systems are in enemy hands and have been for a number of years. Such industrial production as Free China has been able to maintain has been carried on with the limited equipment that could

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<sup>90</sup> Major General Cheves.



be moved from coastal points to the hinterland or improvised from meager resources. The Japanese have done everything within their power to destroy the value of Chinese currency, and they have confiscated the major assets of the Chinese Government and its sources of revenue in occupied areas. The Chinese have had to resort to very large note issues in order to carry on the war.

*Present situation.* As might be expected, under these circumstances and the strain of seven and a half years of war, China's economy is in a precarious condition.

The country has been suffering from serious inflation. Current prices are at levels several hundred times higher than those in the pre-war period. The Chungking retail price index registered an advance of 225 percent in 1944. Prices were estimated to have risen 35 percent during the last quarter of 1944 and a further 20 percent during January 1945. Note circulation increased by more than 150 percent in 1944 as compared with 120 percent in 1943. The total note issue at the end of 1944 was approximately 190 billion as compared with about 1.8 billion in 1937. As this phenomenal rapidity of increase suggests, note issue is the principal means by which the Government has covered recurring deficits, and the progressive expansion of currency is likely to continue until the war is over and a stable economy is restored.

The primitive agricultural character of China's economy, which is on a close to subsistence basis and produces mainly for immediate consumption, together with a fortuitous series of good crops, has served to mitigate the effects of this inflation, and, thus far, has prevented an economic collapse. However, the inflation has entailed great suffering for the salaried classes, seriously affected the people's morale, and greatly aggravated the nation's political and military difficulties. It has had disastrous effects on production because manufacturers have been unable to dispose of their products at prices permitting a restocking of materials. This has stimulated hoarding and speculation, which in turn has aggravated the inflation. It has also encouraged trading with the enemy, which in general involves the exchange of Free China's essential products for non-essential goods from occupied areas.

One of the most serious causes of the scarcity of consumer goods, however, and one of the most fundamental factors in China's economic distress, is the bottleneck in transportation, which results from the deterioration of the country's inadequate transport facilities and controls, and which has greatly impeded the distribution of raw materials, food and other consumer goods.

China's present economic problem is basically a war problem and major relief cannot be expected before the opening of coastal com-

mercial marts and the clearing of the enemy from Chinese soil. Foreign credits, inconvertible in goods, will not help the present situation. Practical remedial measures center on improvement of the production, supply and transport systems. It is in these fields that action is now concentrated, and such action is largely directed toward assisting China to maintain and improve her war effort.

Under the general supervision of Mr. Nelson and empowered with the necessary broad directives from President Chiang Kai-shek, a group of American experts, working in cooperation with well qualified Chinese officials, have set up a Chinese War Production Board to organize and stimulate China's industries and war production. For the first time, a serious and constructive endeavor has been made to coordinate the Chinese economic war effort. It is expected that there will be a substantial increase in Chinese war production, and this should have a very salutary effect on China's war effort and bring about some improvement in her economy.

A parallel program for the reorganization and coordination of transport is also being carried out under a newly established War Transport Board, which is closely coordinated with the American Army and guided by American officers and technical experts. In connection with this program, trucks bringing in supplies over the recently opened Ledo-Burma Road are being turned over for use in China and are thus serving to replenish China's badly depleted motor transport facilities.

Increased production in China, in conjunction with the reopening of the Ledo-Burma Road and the construction of the Calcutta-Kunming oil pipeline, should greatly improve China's supply and transport system. But even more important, a concrete increase in China's war production may be expected to strengthen the morale of the Chinese people.

While present concern centers on the war effort, it is hoped that it will lay a basis for postwar economic cooperation between the United States and China so necessary to China's agricultural and economic rehabilitation. Though there has been a definite trend in the Chinese Government toward state-controlled and ultra-nationalistic economy, recent developments point to a reversal of that trend. Our principal long-range economic objective with respect to China is the development of an integrated and well-balanced Chinese economy and a fuller flow of trade between China and other countries. Toward this end we hope that China will institute reasonable policies calculated to encourage legitimate trade and enterprise.

500.CC/3-245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 2, 1945—3 p. m.  
[Received March 2—1:50 p. m.]

346. The bipartisan character of the American delegation to the forthcoming San Francisco Conference has aroused considerable interest in Chinese official and unofficial circles here with the result that it is now reported without confirmation that consideration is being [given] the possible taking of a semblance of similar action by the Chinese Government. It is generally accepted that the Chinese delegation will be headed by T. V. Soong and will include Wellington Koo<sup>95</sup> and Victor Hoo.<sup>96</sup> It is rumored that Hu Shih<sup>97</sup> may also be named as a gesture toward the liberals and that with a view to finding favor with a large section of the American press as well as to offsetting Communist demands for representation, two PPC members may be chosen including Lin Tsu-han,<sup>98</sup> the Communists' usual representative in Chungking.

Among other reports arising from questions having relation to the San Francisco Conference is one that Sun Fo may go to Russia on special mission rather than T. V. Soong. Another is that the Generalissimo has asked the President to meet him before the Conference at some place in Australia.

ATCHESON

893.002/3-945 : Telegram

*The Chinese Minister for Foreign Affairs (Soong) to the Ambassador in China (Hurley), Temporarily in Washington*

CHUNGKING, March 6, 1945.  
[Received March 6.]

Generalissimo desires me make quick trip to Washington to discuss international and economic problems with President. Will you kindly ascertain if this will be agreeable to President.

If agreeable please arrange immediately White House air transport priority for five persons leaving end of this week and return to China before end of March so as to give me few days here for consultation with Generalissimo before I attend San Francisco Conference.

[SOONG]

<sup>95</sup> Chinese Ambassador in the United Kingdom.

<sup>96</sup> Chinese Vice Minister for Foreign Affairs.

<sup>97</sup> Chancellor of National Peking University and former Chinese Ambassador in the United States.

<sup>98</sup> A Communist representative on the People's Political Council at Chungking, 1939-41.

893.002/3-945 : Telegram

*The Acting Secretary of State to the Chargé in China (Acheson)*

WASHINGTON, March 9, 1945—8 p. m.

413. Please deliver paraphrase of the following personal message from Ambassador Hurley to T. V. Soong:

“Both the President and the Acting Secretary of State were gratified to learn of the Generalissimo’s desire that you visit Washington but they feel that the time between now and the San Francisco Conference is too short to allow for useful consultation and, furthermore, that the visit of one Foreign Minister prior to the Conference might lead to misunderstandings on the part of other interested Foreign Ministers and complicate matters.

The President and the Acting Secretary of State both expressed their high esteem for you and wished me to ask you to explain fully to the Generalissimo the reasoning that causes them to advise a postponement of your visit.

I have not seen Harry Hopkins<sup>99</sup> as he has not been in Washington since my arrival.

Please convey my most cordial regards to the Generalissimo.

With best wishes, Patrick J. Hurley”

GREW

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*The Chinese Minister for Foreign Affairs (Soong) to  
Mr. Harry L. Hopkins*<sup>1</sup>

[CHUNGKING,] March 10, 1945

1. The Generalissimo has asked me to go to Washington now to discuss certain most important and secret matters with the President, matters on which the speedy prosecution of the war and improved international relations depend. The Generalissimo would like to have

<sup>99</sup> Harry L. Hopkins, Special Assistant to President Roosevelt.

<sup>1</sup> Copy of telegram; original given on March 13 to Charles E. Bohlen, political and liaison officer of the U. S. delegation to the United Nations Conference at San Francisco. Transmitted to Harry L. Hopkins by Madame Soong in her letter of March 12 in which she stated: “Ambassador Hurley was given by T. V. the substance of the request and he put the matter to the President. The Ambassador tells me the President was advised by the State Department that if one Foreign Minister were received before San Francisco, all others would also apply, and that for this reason while the President would gladly see T. V. as a friend just prior to the April meeting, it would be difficult to arrange a special audience immediately. T. V. urges every day that the matter Generalissimo instructed him to discuss with the President is so very urgent that he fears to postpone it for five weeks. . . . Generalissimo strongly feels this matter should be frankly clarified in personal conversations before the San Francisco meeting.” Madame Soong was informed through her secretary “that HLH can do nothing more about this from [Mayo Clinic,] Rochester; he is taking on no business matters yet and, as Mme. Soong says above, the President already knows about it” (March 13). Copies obtained from the Franklin D. Roosevelt Library, Hyde Park, N. Y.

me make a quick round trip, before I return again to head the Chinese delegation to San Francisco Conference.

2. I feel that thus obtaining the President's advice now is most vital to China. I would come as Acting Prime Minister not as Foreign Minister. I would be grateful if you would yourself make use of the following considerations in submitting my request to the President.

3. The President has already seen the Prime Ministers and the Foreign Ministers of the Big Three at Yalta. Since China was not present, I know it will help our war effort here and the future relations of the four sponsors of the San Francisco conference if I come now. There are especially some secret matters that should probably better not be raised at the San Francisco conference that it would help very much to discuss in advance. I believe preliminary discussion would ensure the elimination of friction later.

4. China's situation is one of desperate crisis directly affecting our military plans. We feel that never has it been so important that we obtain the President's advice now about our joint strategy, and this includes our relations with Soviet Russia, the Communists, and plans we have for dealing as best we can with our desperate economic problems. I would not come to ask for a loan or for embarrassing decisions but to consult the President and his top advisers with, we believe, the future of China and Asia at stake.

[SOONG]

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740.0011 P.W./3-1145: Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 11, 1945—2 p.m.

[Received March 11—1 p. m.]

406. M[ilitary] A[ttaché's] Summary for week ending March 10.

Kwangtung-Kwangsi-Hunan front remained relatively stable for 4th consecutive week. Japanese appeared to have abandoned, at least temporarily, their original plan of continuing their drive to South China coast after capture of air bases in this area. This task may have been assigned to Japanese forces now garrisoning Chinhua and Nanchang which have recently received substantial reinforcements. In any case, it would seem that Japanese forces which had completed occupation of southern half of Hankow-Canton Railway would shortly be transferred elsewhere.

This possibility has recently been strengthened by 14th Air Force liaison report (based on usually reliable Chinese sources) that Japanese War Ministry had decided to attack Kunming in order to neutralize (1) possible counterattack on Kweilin (ReEmbs 387,

March 8, 4 p. m.<sup>3</sup>) and (2) effectiveness of reopening of Burma Road. It was reported that on February 8, Japanese 5th Parachute Brigade had left Manchuria for Kweilin, that on February 15 Japanese forces along Yueh-Han Railway had been ordered to concentrate on Kweilin and Liuchow and that on February 19 an important Japanese officer had flown from Nanking to Kweilin to direct operations. Enemy strategy seemed to be based on probability that even though drive on Kunming was unsuccessful it would at least permit continued operation of Hunan-Kwangsi Railway. At present there are 10 Japanese divisions in thousand mile area between Changsha and Saigon which are not engaged in any major operations and which are available for use against possible Allied landings on coast and for policing of interior lines of communication. Above report should be treated with reserve as recent large scale Japanese troop movements from Manchuria may not indicate attack on Kunming but only strengthening of Japanese defensive position in South China.

Fourteenth Air Force and CACW continued to disrupt and destroy Japanese lines of communication by sinking river and ocean vessels and destroying railway equipment. Sorties were continued in close support of Chinese ground forces and against communications centers and supply concentrations. Operations from newly won bases in Philippines will relieve 14th Air Force of necessity of operations off South China coast.

ATCHESON

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740.0011 P.W./3-1245: Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 12, 1945—10 a. m.

[Received March 15—7 p. m.]

411. French Ambassador told me last night he had information that Langson had been captured by Japs, that there was street fighting progressing in Hanoi, and that in Moncay a French garrison of 1,000 with 20 officers was still holding out. (ReEmbs 403, March 11, 11 a. m.<sup>3</sup>) He said he did not yet know whether any French troops had endeavored to cross into China. Some time ago he had approached the Generalissimo with regard to that possibility and Chiang had said that French troops would be welcomed and assisted. Ho Ying-chin has recently made a similar statement, but he himself was doubtful whether any definite plans for receiving French refugee soldiers in China had been worked out or would prove very effective.

ATCHESON

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<sup>3</sup> Not printed.

893.77/3-1345

*The Chargé in China (Atcheson) to the Secretary of State*

No. 221

CHUNGKING, March 13, 1945.

[Received March 24.]

SIR: I have the honor to refer to the Department's third person instruction no. 46 of February 15, 1945 quoting a statement from an article entitled "Pillars of Peace for the Pacific" appearing in the April 1944 edition of *Free World*.

The author of the article, Dr. Wu Nan-ju, is now the Director of Protocol of the Ministry of Foreign Affairs. In reply to an informal inquiry, Dr. Wu informed a member of the Embassy staff in confidence that he was Chargé d'Affaires in Moscow at the time of the sale of the Chinese Eastern Railway to "Manchukuo" and that under instructions from his Government he personally protested against the sale made by the Russian authorities without the consent of the Chinese Government. He said that he telegraphed to the Ministry of Foreign Affairs the substance of the oral reply, as indicated in the article, made to his protest and that therefore the Chinese Government doubtless has a record of the Soviet commitment.

Respectfully yours,

GEORGE ATCHESON, JR.

740.0011 P.W./3-1845: Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 18, 1945—10 a. m.

[Received 11:40 a. m.]

458. 1. Following is summary of M[ilitary] A[ttaché]'s review for week ending 17:

Jap action in seizing complete control of Indochina by disarming French forces believed to be closely related to other simultaneous enemy moves in South China. Japs have recently abandoned drive toward China coast, withdrawing troops from newly won positions in Kiangsi-Kwangtung, and are now undertaking major redistribution of troops in all South China. Elements of three fourth [34th] Division (formerly in Hengyang area) already identified in Indochina. Thirty thousand enemy troops reported moving into Changsha-Hengyang area from lower Yangtze area and six fourth [64th] Division (near Changsha) said preparing to move southward. Significance of these activities should not be underestimated particularly in view of recent 14th Air Force liaison report that Japs planning shortly to attack Kunming (ReEmb's 387, March 8<sup>4</sup>). Although

<sup>4</sup>Not printed.

still uncertain whether activities in Indochina are prelude to Kunming offensive or merely attempt to reinforce area for use as withdrawal corridor for troops from untenable territories, some enemy attempt to take Kunming seems probable. Reports from Indochina indefinite and unrevealing, but apparently elimination of French forces all but accomplished. One thousand Jap troops plus artillery battalion reported to have crossed China border at Laokay and moved 27 miles along railroad without opposition before withdrawing to Indochina. No other reports of border crossings in direction Kunming.

Enemy continued to strengthen positions along China coast with greatest activity in Wenchow and Swatow. Enemy troops in latter city said to number 50,000 including transients.

Only significant change in air operations was increase in missions to Indochina to support French and Annamite native resistance movements against Japs.

2. According to Chinese G-2, substantial force of New 4th Army recently crossed Yangtze at Chichun (Hupeh), about half way between Hankow and Kiukiang, and are at present combatting Central Government troops to east of Yochow at junction of Hunan-Hupeh-Kiangsi Provinces.

ATCHESON

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740.0011 P.W./3-2645 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 26, 1945—11 a. m.

[Received 12:20 p. m.]

502. 1. Following is the Military Attaché's summary for the week ending March 24:

Chinese military intelligence reports that Japanese troops in Honan are making preparations for a westward drive on Nanyanpu [*Nanyang?*] and Laohokow, the latter being an important Allied airbase. It is said that the purpose of this drive is to forage for food and to obtain certain much needed supplies. It is quite possible that this is the case, as in the past the Japanese have frequently launched such expeditions with similar intentions into territory under Chinese control. Nevertheless in the present instance the significance of Laohokow as an important airbase and the size of the units which are likely to become involved indicate that this drive will develop into something more than a mere foraging expedition. (Telegram from Sian indicates this drive began on 23d.)

Some 30,000 Japanese troops from down river were reported to have passed through Wuhan area in a southerly direction. It may be that



these troops are to be used as strategic reserves as well as to strengthen present garrisons in southeast China. The movement of Japanese troops into new positions continues. The Japanese are still retiring westward from Kiangsi Province, although at a much slower pace.

The air situation in the China theater remains unchanged.

2. Organized resistance in Indochina has largely dissipated, according to American Military Headquarters. French units at Moncay and elsewhere along the border have withdrawn to China. A larger French unit is reported to have centered in Laos where it may attempt to work its way north as the occasion offers.

ATCHESON

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740.0011 P.W./3-2645: Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 26, 1945—2 p. m.

[Received March 26—8:55 a. m.]

504. According to the Military Attaché, the Allied airbase at Laohokow was abandoned on March 25, and as radio communication with it ceased last night it is assumed that field and also the city have been captured by the Japanese.

According to Central News, Japanese forces engaged in Laohokow campaign comprise 4½ divisions plus 1 tank corps. Making due allowance for exaggeration, this would appear to be a disproportionately large force for this operation and has given rise to speculation whether the Japanese may have in mind a much more important objective.

ATCHESON

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893.85/2-145

*Memorandum by the Chief of the Division of Chinese Affairs (Vincent) to the Chief of the Shipping Division (Saugstad)*

[WASHINGTON,] March 26, 1945.

Reference is made to your memorandum of March 19, 1945<sup>5</sup> attaching a memorandum of February 1, 1945 from the War Shipping Administration and your reply of March 20, 1945,<sup>6</sup> in regard to the allocation of additional merchant vessels to China.

CA perceives no objection to the proposal of the War Shipping Administration to allocate a few additional merchant vessels to the properly authorized Chinese authorities on a "bare-boat out, time-

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<sup>5</sup> Not printed; it stated: "We understand from Mr. Morse that the Navy Department has no objection to the proposal."

<sup>6</sup> Not printed, but see footnote 59, p. 43.

charter back" basis, but feels that the State Department should be consulted in the event that consideration is given to the sale or other final disposal of such American vessels to China.

J[OHN] C[ARTER] V[INCENT]

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740.0011 P.W./3-2645

*Memorandum of Conversation, by the Director of the Office of European Affairs (Matthews)*

[WASHINGTON,] March 27, 1945.

The Swedish and Swiss Ministers<sup>7</sup> called this morning at their joint request and left with me the attached two self-explanatory memoranda.<sup>8</sup> These memoranda indicate that the civilian population of Shanghai are considerably excited because of a reported statement of the Japanese authorities that the city of Shanghai would be defended militarily at all costs. The memoranda suggest therefore that since a large scale evacuation seems impossible, a safety zone should be set up which would in effect be immune from military operations. The memoranda inquire as to the attitude of this Government with respect to this proposal and indicate that similar suggestions are being made by the Swedish and Swiss Governments in Shungking and Tokyo. (The Swiss memorandum states that the Swiss Government has already approached the French Government, which has given its full approval to the proposal.)

I told Mr. Boström and Mr. Bruggmann that I would be glad to see that the question be studied promptly, adding that in view of the important military factors involved our military authorities would of course have to be consulted. They both said that they understood, but requested that action be expedited.

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893.48/3-2745 : Telegram

*The Acting Secretary of State to the Chargé in China (Atcheson)*

WASHINGTON, March 27, 1945.

505. An AP report Chungking dateline March 26 states that 20,000,000 persons in northern Szechwan face famine because of drought and crop failure. Please investigate and report.

GREW

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<sup>7</sup> W. Boström and Charles Bruggmann, respectively.

<sup>8</sup> Memoranda from the Swiss Legation of March 26 and from the Swedish Legation of March 27; neither printed.

740.0011 P.W./4-145 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, April 1, 1945—1 p. m.

[Received April 1—12:10 p. m.]

553. Following is summary of Military Attaché's report for week ending March 31:

1. Japanese began the separate military operations in the Hunan-Hupeh area. The objective of the 1st operation was Laohokow airbase which was occupied after its successful evacuation on March 26. The objective of the 2d may be Lushih, the eastern gateway to Sian. With the destruction of Laohokow, the Japanese may next move on Ankang, 100 miles to the west, in order to decommission the secondary airbase. Such an operation would seriously threaten Hanchung, the Generalissimo's headquarters in the northern area, and the communications system southward from Sian could be affected. A primary objective in the present campaign seems to be the clearance of the area south of the Lunghai and east of the Pinghan Railway in order to prepare the latter for probable troop movements which were previously dependent on the Tsinpu Railway. Because of increased Allied air activity at [Sian?], where additional heavy bomber bases have been constructed and where the 14th Air Force troop carrier command and the Chinese-American composite wing are located, Sian presents more of a strategic prize than formerly.

According to reports from various Allied intelligence sources, the Japanese appear to be planning a drive on Kunming, possibly from Tonkin via the Yunnan-Indochina Railway. Judging from the concentration of Japanese troops in Indochina, it may be assumed that this supposition is correct. However, little activity has been observed in the Nanning-Poseh area through which a coordinating drive on Kunming would logically be directed. It is recalled that the Honan operations in the spring of 1944 were in the nature of a diversionary campaign only and a prelude to a major drive through Hunan into Kwangsi.

CACW and the 14th Air Force continued to support Chinese troops in [on?] the defensive in western Hunan and Hupeh. Bombers and fighters concentrated their attacks on supply bases and lines of communication. Targets along the Changsha-Hankow, the Lunghai and the Pinghan Railways were heavily bombed, rail and truck columns throughout the war zone were strafed and shipping on the Yellow River was attacked with good results. Plane losses were largely due to enemy ground fire in low altitude operations. Little Japanese air activity was noted. New Japanese positions in Indochina were also attacked.

2. U. S. Army Headquarters here states that Japs are now consolidating positions in Laohokow area and there are indications that they may drive westward as indicated above by Military Attaché. They are without information as to number Jap troops involved but Jap tank units have apparently been identified.

Headquarters is concerned over Jap concentrations in northern Indochina—now believed to be more than two but not more than four divisions—and state that this force is too large for purposes of occupation of Tonkin where all significant French resistance has ceased.

ATCHESON

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893.48/4-245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 2, 1945—10 a. m.

[Received April 3—12: 37 p. m.]

556. Chinese Minister of Food<sup>9</sup> issued statement on March 27 that famine in northern Szechwan (Department's 505, March 27) is not as serious as reported in press. However, in an editorial in March 31 issue of Communist *Hsin Hua Jih Pao* it is claimed that famine conditions extend to 26 districts in northwestern Szechwan, that the Government has devised no practicable means of relieving conditions there and that refugees from stricken areas are arriving in Chengtu in great numbers. Bulk of editorial refuting above-mentioned statement of Minister of Food was censored.

Embassy is asking Attaché Service<sup>10</sup> in Chengtu to investigate and report.<sup>11</sup>

ATCHESON

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740.00119 P. W./5-2945

*Memorandum Concerning United States Post-War Military Policies  
With Respect to China*<sup>12</sup>

(State Department Paper dated 3 April 1945)

#### THE PROBLEM

1. To establish a United States policy toward post-war China which will serve to determine the character of American post-war military

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<sup>9</sup> Hsu Kan.

<sup>10</sup> Richard M. Service, Vice Consul.

<sup>11</sup> Report not found in Department files.

<sup>12</sup> Transmitted with a covering memorandum from the State-War-Navy Coordinating Committee (SWNCC 83/1) to the Secretaries of State, War, and the Navy on May 28. This memorandum was the same as the one by Mr. H. Freeman Matthews printed on p. 116.

policies with respect to China, such as the giving of United States assistance toward the establishment of an effective Chinese air force.

#### DISCUSSION

2. Long-range Objectives and Policy of the United States with respect to China.

The American Government's long-range policy with respect to China is based on the need to have China a principal stabilizing factor in the Far East as a fundamental condition for peace and security in that area. In particular, the political aspects of our policy are directed toward the establishment of a strong, stable and united China with a government representative of the wishes of the Chinese people which will effectively discharge its internal and international responsibilities. While favoring no political faction we continue to support the existing government of China. However, we look for the establishment within its framework of the unified and effective type of government that is needed. Should the authority of the existing government disintegrate, we would reexamine our position in the light of the manifested wishes of the Chinese people and regard sympathetically any broadly representative government or movement which gave promise of achieving unity and of contributing to peace and security in eastern Asia.

3. Important political and economic considerations, some of which are mentioned below, are involved in the development of a strong China capable of contributing effectively to the maintenance of peace and security in the Far East. The future military strength of China is also an important element. A well-trained and well-equipped Chinese national (non-political) army, supported by a modern air force, would unquestionably contribute materially to the maintenance of a strong China. In the opinion of the Department of State, however, the achievement of internal unity and the establishment of a stable government supported by the people are prerequisites thereto.

4. Political Considerations.

Existing political conditions in China are such as to require the greatest caution and flexibility in the application of measures designed to implement the objectives set forth in paragraph 2.

*a.* The American Government recognizes and supports the National Government of the Republic of China under the leadership of Chiang Kai-shek. However, the unrepresentative character of the present government which is strictly controlled by a single party, namely, the Kuomintang, the inefficiency of its governmental, administrative and judicial machinery, the inefficiency and corruption prevalent in the present Chinese army and air force, the lack of protection accorded to persons and property and the absence of freedom of speech and

freedom of the press, constitute factors which have created widespread dissatisfaction with the present National Government.

*b.* There are political groups of varying strength and importance which are opposed to the present Kuomintang-controlled National Government. These are:

(1) The Chinese Communist Party which, during the past ten years and in spite of the efforts of the National Government to liquidate its members, has developed into a dynamic force controlling considerable areas in the provinces of Shensi, Shansi, Hopei, Shantung, Anhwei and Kiangsu. It exercises political and military control over a population variously estimated to range from twenty to fifty million people.

(2) The Democratic League which may be described as a loose federation of minor political parties and groups opposed to continued control of the government by a single party, namely the Kuomintang.

(3) Certain Chinese militarists in Szechuan, Yunnan and Kwangsi. Mention might also be made of the semi-independent military rulers of Tsinghai, Sikang and Ninghsia whose allegiance to the National Government is largely nominal.

The existence of these dissident elements whose opposition to Kuomintang control of the National Government appears to be increasing rather than diminishing, constitutes a disturbing factor in the present political situation in China. This political disaffection has, of course, been greatly aggravated by the severe hardships suffered by the people as a result of eight years of continuous resistance to the Japanese.

It appears to the Department of State to be of the utmost importance that our support of the present Kuomintang-controlled National Government should be realistically alert to these political factors which may conceivably result in the overthrow of the present government or the outbreak of civil war. Through our diplomatic and military representatives in China, efforts are being made to induce the leaders of the present National Government to take rapid and concrete measures to effect the establishment of constitutional government and to bring about the internal unity and solidarity which is essential to the development of China as a strong nation capable of maintaining peace and security in the Far East. The measures recently announced by Generalissimo Chiang Kai-shek with regard to the convening of a National Congress in November 1945 for the avowed purpose of formulating measures for the establishment of constitutional government are hopeful indications. Whether the proposed congress will include all political parties and whether a constitutional government based solidly upon the support of the people will in fact be established in the near future remains to be seen.

##### 5. Economic and Financial Considerations.

The development of China's military strength involves numerous economic and financial problems.

*a.* The creation and support by China of an effective army and air force involves such considerations as the extent and availability of natural resources in China, the development of industries, particularly heavy industries, technical knowledge and the financial resources of the country. While China's natural resources, particularly her resources in coal, minerals and petroleum, have yet to be completely and adequately surveyed, it may be said that China is either deficient in or has limited resources of many minerals essential to the development of a munitions industry and that her petroleum resources are scanty and located in remote areas. China is also seriously deficient in trained personnel and technical knowledge. An attempt to build up a munitions industry to support a modern army and air force by the importation of raw materials and machinery from abroad would constitute a very heavy drain on China's financial resources. In such circumstances the fostering of a munitions industry would seriously impede the development of a sound Chinese economy in which industry, agriculture, transportation and communications should be integrated and well-balanced; in other words, if China is to support a modern air force and ground force from her own limited natural and financial resources it would appear inevitable that sound and balanced economic progress cannot be expected. The utilization of the major portion of China's financial resources to build up or purchase armaments is in our opinion unwise in view of China's acute and urgent need to repair the ravages of war and to reconstruct and expand the country's communications, agriculture and industries.

*b.* If the United States is to assume primary responsibility for the development and support of a post-war Chinese air force as appears to be contemplated, Congressional reaction to such assistance should be carefully considered in formulating a definitive policy. If it is contemplated that the United States should underwrite the supply of planes and equipment, which would involve substantial sums, it will certainly be necessary to obtain Congressional approval for such expenditures or loans. Whether in the post-war period the Congress would see fit to appropriate sufficient funds or approve loans for this purpose appears to the Department of State to be somewhat problematical. It is the belief of the Department of State that any credits which this government might agree to extend to China should be utilized largely to assist China to build a well-balanced economy which in its opinion will in the long run give to China the strength, stability and prosperity essential to the creation and maintenance of a modern army and air force.

*c.* The Army Air Forces believe that the United States should adopt a definitive program to assist in the creation of a strong Chinese air force to preclude the Chinese from turning to other nations for assistance. The Department of State is of the opinion that the British would be unlikely to embark on such a program, which they can ill afford, if the internal political situation in China should show no substantial improvement and should continue to deteriorate. It is also believed that Soviet Russia is even more unlikely to give assistance to a Kuomintang-controlled National Government; it is much more probable that Soviet Russia will assist the Chinese Communists. We do not know of any other country which has the financial and technical resources or is sufficiently interested in China to embark on an extensive and expensive program such as is envisaged.

## CONCLUSIONS

6. We desire to see a strong united China capable of making its full contribution to the maintenance of peace in the Far East. Implicit in this objective are the development of an effective and modern Chinese army and air force based upon a sound economy and the rendering by the United States of practicable assistance in the creation of such forces. However, in the opinion of the Department of State the implementation of this objective is dependent not only upon the political, economic and financial considerations mentioned above, but also upon the extent to which future peace in the Pacific area can be maintained by regional and international security organizations.

7. The Department of State believes that the equipping and training at the present time of the forces of the National Government and the training of personnel and the supplying of planes and equipment to the Chinese air force with the object of utilizing these forces against the Japanese is entirely justified and should be continued until Japanese forces in China and Manchuria are destroyed. In a communication from the State Department to the Secretaries of War and the Navy\* the following statement occurs:

“The mission of our military authorities in China, we believe, should be focused for the present upon the short-term objective described above (assistance in mobilizing all of China’s human and material resources for prosecution of the war against Japan). Undoubtedly measures devised to ‘contain’ Japanese forces, in cooperation with the Chinese, will result in a degree of rearmament of Chinese forces, but it is believed that measures undertaken at this time to rearm China in order that it might become a strong Asiatic power would be impracticable.”

8. With respect to the post-war period and with particular reference to the problem stated in the directive under consideration, the Department of State feels that it would be unwise to commit ourselves in any way with the present National Government of China to assist in the development and maintenance of a modern post-war Chinese air force unless and until:

*a.* Internal political unity and stability have been achieved in China.

*b.* The Chinese Government has obtained the support of the Chinese people.

*c.* The economy of China, with such assistance as it may be practicable for the United States and other countries to render, has been sufficiently developed to support a modern army and air force.

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\*See Annex hereto. [Footnote in the original; for text of document under reference, see memorandum of January 29, by the Chief of the Division of Chinese Affairs (Vincent), p. 37.]



## RECOMMENDATIONS

9. In view of the present unstable political situation in China, and the impaired and undeveloped state of China's economy, it is recommended that we enter into no specific commitments at this time with the present National Government of China to assist in the development and maintenance of a modern Chinese air force in the post-war period. It is further recommended that this question be reconsidered when in the opinion of the interested departments of the American Government:

*a.* Internal political unity and stability have been achieved in China.

*b.* The Chinese Government has obtained the support of the Chinese people.

*c.* The economy of China, with such assistance as it may be practicable for the United States and other countries to render, has been sufficiently developed to support a modern army and air force.

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740.0011 P.W./3-145

*Memorandum by the Assistant Chief of the Division of Chinese Affairs  
(Chase)*

[WASHINGTON,] April 3, 1945.

The attached despatch (Sian's 138<sup>13</sup>) describes a reported reorganization of the puppet forces mainly of interest to the War Department and not requiring your perusal.

The following salient points may be mentioned:

(1) The information indicates that the north China puppet forces constitute a separate military organization independent of the Nanking "National Government".<sup>14</sup>

(2) Forces subject to the Nanking "National Government" are alleged to number 1,350,000 men. North China forces independent of Nanking number some "tens of divisions" (i. e., apparently several hundred thousand men).

*Comment:* While, as Mr. Rice indicates, these figures may represent substantial exaggerations, there is food for thought in (1) the fact that there are large bodies of armed Chinese accustomed to collaborate with the Japanese and presumably more or less habituated to Japanese equipment and methods; and (2) the probability that the bulk of these forces will in due course go over to Chungking or Yenan, as deserters or prisoners, and form an important part of China's future armies.

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<sup>13</sup> Despatch No. 138, March 1, from the Second Secretary of Embassy in China (Rice) at Sian to the Chargé (Atcheson), not printed.

<sup>14</sup> Japanese-sponsored regime headed by Wang Ching-wei.

(3) General Peng Ping-hsün, whose "capture by" (or defection to) the Japanese two years ago has been so scathingly denounced by the Communists, is reported to be in nominal command of a puppet army at Kaifeng, Honan.

124.936/4-1145

*Memorandum by the Second Secretary of Embassy in China  
(Bohringer)*<sup>15</sup>

[CHUNGKING,] April 3, 1945.

The 18th weekly meeting of representatives of U. S. agencies in Chungking was held at the Embassy at 10:30 a. m., April 3, 1945. Mr. Acheson, Chargé d'Affaires, a. i., presided. The following attended:

[Here follows list of those present.]

AGENDA AND SUMMARY

1. President's letter of March 20, 1945 directing that civilian economic activities abroad be conducted under the responsibility of the Chief of the Diplomatic Mission (Department's circular telegram of March 29 [30], 1945<sup>16</sup>). Text read by Mr. Acheson who pointed out the relevance of this important directive to the work which will be undertaken by Mr. Briggs, whom he then introduced.

2. Statement by Mr. Ellis O. Briggs, Minister-Counselor of the Embassy, regarding the scope of his activities.

3. Statement by Mr. Leon Henderson, Advisor to the Chinese Government, concerning the progress of his study of price control and related matters.

4. Statement by Dr. C. F. Remer,<sup>17</sup> Department of State, on special assignment to study financial aspects of Chinese postwar reconstruction plans.

5. Statements by Mr. William L. Holland, Acting Director, and Mr. Brooks Darlington, Executive Director, China Division of the OWI.<sup>18</sup>

1. *President's directive concerning the assumption by the Diplomatic Mission of overall economic responsibility.*

Mr. Acheson explained that this directive sent to the agencies listed therein was of such importance that he desired to read the text into the record. It is as follows:

<sup>15</sup> Copy transmitted to the Department by the Chargé (Briggs) in his covering despatch No. 291, April 11; received April 20.

<sup>16</sup> Text quoted below, p. 81.

<sup>17</sup> Charles F. Remer, Adviser on Far Eastern investment and finance, Division of Financial and Monetary Affairs.

<sup>18</sup> Office of War Information.

“There is quoted below for your information the text of a letter of March 20 sent by the President on March 24 to the heads of the 16 departments and agencies cited in connection with a centralization of responsibility for economic activities of the missions:

“Much good work has already been done to assure that the economic personnel of the various Government agencies, who are stationed abroad, work together as a team; but I should like to see this trend carried further. Effective foreign operation demands a centralization in each country of responsibility for the activities of all of our civilian economic representatives. I realize that it is not often feasible for the chief of mission to take upon himself personally the task of supervising the activities of the economic personnel within his area, and that in a number of cases the chiefs of mission have delegated their authority in such matters to principal economic officers. I would like to see the application of this principle extended to the end that the activities abroad of economic personnel of all civilian agencies be supervised in each country by an economic counselor, or where appropriate, an economic minister, of course, on the payroll of the Department of State. I shall give you all necessary assistance in the realization of this goal which is of great importance in the effective conduct of our foreign economic relations.’

“The following is the list of agencies to whom the above communication was addressed by the President: the Treasury, the Interior, Labor, Commerce, Agriculture, FEA, the War Shipping Administration, the War Food Administration, the WPB, the Petroleum Administration for War, Coordinator of Inter-American Affairs, the Tariff Commission, Attorney General, the Reconstruction Finance Corporation, U. S. Commercial Company, and the Bureau of the Budget.”

Mr. Acheson stated that the relevance of this instruction to the work to be undertaken by Mr. Briggs was self-evident. He thereupon introduced Mr. Briggs, explaining that he had come to China to take up duties as Minister-Counselor of the Embassy and that he had been specifically delegated to undertake the task of integrating and coordinating certain activities of various government agencies represented in China. Mr. Acheson said that Mr. Briggs had a very distinguished record in the Foreign Service; that he, Mr. Acheson, had had the pleasure of working with him in Washington several years before; that the other representatives would find him most cooperative and anxious to be of all possible service and assistance to his colleagues. Mr. Acheson bespoke for Mr. Briggs from all the representatives a continuation of the excellent and much appreciated cooperation the Embassy had been enjoying from them.

## 2. *Statement by Mr. Briggs.*

Mr. Briggs stated that he had arrived in China five days before and that he looked forward to an extraordinarily interesting and fruitful assignment, the success of which, insofar as integrating American activities was concerned, would obviously depend on the one hand on his ability to familiarize himself with the work of the various branches of the American Government represented at the meeting, and on the other hand on the assistance and collaboration

which he received from those representatives, bearing in mind that China is a new field for him and bespeaking the patience of his colleagues during this educational process.

Mr. Briggs said further that he planned to devote an initial period to a study first of the operation of the Embassy itself, which has been functioning under various handicaps inherent in wartime temporary capital conditions and with a reduced personnel; he proposed thereupon to undertake a similar study of the activities of the various agencies, following which he hoped to be in a position to review the situation in extended discussions with the officers concerned.

As to the general overall problem, he indicated that he desired to refresh his own memory regarding the objectives of our Government in China, in which connection certain confidential documentation recently prepared by the Division of Chinese Affairs in the State Department seemed particularly pertinent, concise and well put. He thereupon read the following:

"The principal and immediate objectives of the United States Government are to keep China in the war against Japan and to mobilize China's full military and economic strength in the vigorous prosecution of the war. To accomplish these objectives the United States Government has undertaken the following measures: (a) direct military assistance to China and the Chinese armed forces; (b) promotion of effective Sino-American military cooperation; and (c) encouragement to the Chinese to contribute their maximum effort in the war.

"The American Government's long range policy with respect to China is based on the belief that the need for China to be a principal stabilizing factor in the Far East is a fundamental requirement for peace and security in that area. Our policy is accordingly directed toward the following objectives:

"1. Political: A strong, stable and united China with a government representative of the wishes of the Chinese people;

"2. Economic: The development of an integrated and well-balanced Chinese economy and a fuller flow of trade between China and other countries; and

"3. Cultural: Cultural and scientific cooperation with China as a basis for common understanding and progress."

Mr. Briggs stated further that obviously his own activities as well as those of every American official in China must be directed first and foremost to the short-range and immediate objective of winning the war against Japan, without which no other objective could be realized. He therefore wished to pledge his own activities to assisting in every way possible in canalizing the activities of the several civilian agencies in ways helpful to the war effort and to our military campaign.

In conclusion Mr. Briggs stated that in his opinion an excellent start in the direction of coordinating activities had been made by Ambassador Hurley in instituting the custom of weekly meetings, the summaries of which had proved of inestimable value to him in identifying the manifold activities of our Government in the China theatre. These meetings would be continued and he hoped those present would come forward with suggestions for improving still further their effectiveness.

3. *Statement of Mr. Leon Henderson.*

Mr. Henderson stated he had found that the problem of retarding China's inflation was not just a problem of price control and that nearly every phase of the problem which he had studied had political, military and economic implications. He said he had found it desirable to look into the question of Chinese Government administration which he believed provided one of the keys to solving the inflation problem. He said that he had discussed the Government's reorganization efforts with appropriate Chinese officials and from these preliminary discussions had reached the conclusion that what was needed here was an organization similar to the Secretariat of the British War Cabinet.

Mr. Henderson went on to say that Chinese Government revenues and taxation were acute questions concerning which he required more information. He said that although he wished to avoid discussions on foreign exchange and postwar currency stabilization he found that some Chinese officials to whom he spoke desired to include those topics in the discussions. Mr. Henderson said he would appreciate receiving from those present any information on the following points: operations of the Food Ministry, Communications Ministry, and Government arsenals; distribution of commodities to Chinese Government officials; estimates of food production; data on the purchasing power of the Chinese dollar; relationship between goods and currency; trend of U. S. Army expenditures in China; budget analyses; breakdown of methods by which the ministries have adjusted both salaries and official prices in recognition of the rising price level; and double and triple bookkeeping methods by which tax payments are evaded.

4. *Statement by Dr. C. F. Remer relative to his study of financial aspects of China's postwar reconstruction plans.*

Mr. Atcheson welcomed Dr. Remer who stated that he had reached China several weeks before to undertake on behalf of the Department of State a study of postwar reconstruction plans, in regard to which he would be in a position to report further at a later date. Dr. Remer likewise indicated—and requested that the information be regarded as secret—that he had been directed to examine the subject of Japanese reparations to China, an item on his agenda which he does not desire

to become known to the Chinese Government at this juncture. He said that he would appreciate receiving any information on official Chinese views in the premises which other representatives and agencies may already have.

5. *Statements by Messrs. Holland and Darlington concerning the work of the OWI.*

After his introduction by Mr. Atcheson, Mr. Holland stated that he was particularly aware of the need for unified direction, in view of the fact that OWI's psychological warfare work is under the direction of the U. S. Army while all other operations are under the general direction of the Embassy. As to immediate plans for his work, Mr. Holland stated that the leaflet dropping work of the OWI would probably be much expanded; that OWI hoped soon to accept an offer from the (Kuomintang) Ministry of Information to conduct relay broadcasts from San Francisco through the Chinese station at Kunming in languages other than Chinese; that OWI, subject to the Embassy's approval, planned to set up several additional branch offices in free China; that he hoped to increase the volume of books, pamphlets and other printed material reaching China from the United States, provided this did not conflict with any program of the Embassy, and of course providing transportation facilities permit; and finally that the Chinese were urging a closer working arrangement with OWI in psychological warfare, which however was not at present favored by OWI.

Mr. Darlington referred to the success of OWI in obtaining acceptance by the Chinese press of articles describing U. S. Army and other activities of our Government in China. He indicated that very gratifying progress had been made in this connection.

The meeting was adjourned at 11:20 a. m.

CARL H. BOEHRINGER

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S93.20/4-645

*The Consul General at Kunming (Langdon) to the Secretary of State*

No. 171

KUNMING, April 6, 1945.

[Received April 17.]

SIR: I have the honor to set forth, as I understand them, the recent reorganization of the Chinese Armies and the relationship toward each other of the American and Chinese military establishments.

*Chinese Military Establishment.*

The new reorganized Chinese national army, under General Ho Ying-chin, will consist of twelve army groups made up of thirty-six

full strength divisions. The best troops available from all over unoccupied China owing allegiance to Generalissimo Chiang Kai-shek, including the Yunnan provincial troops of General Lung Yun, chairman of the Yunnan Provincial Government, who is also concurrently deputy-Commander-in-Chief of the new army, are presently being re-grouped and redistributed to make up the thirty-six divisions. All other troops owing allegiance, real or nominal, to the Chungking Government will continue to be under the control of the Military Affairs Commission.

The new army is the only one that will be trained and equipped by and leavened with American forces. It is to be the combat, striking force of China. As the present weapons of the units comprising the thirty-six divisions are replaced with American weapons, they will be distributed to the units outside the new army, which will be utilized for protecting supply lines and other auxiliary service.

The crack force of the new army is the Sixth Army Group. This will take in all the remnants and units of the veteran, battle-hardened Ramgarh (India)-trained divisions and of the Chinese Expeditionary Force, viz., the Chinese forces which fought their way from Assam to the Yunnan border and the Chinese forces which drove the Japanese out of Western Yunnan. Great expectations are held for this Army Group. The other army groups are being cleansed of diseased and unfit individuals and their strength being brought up to maximum by replacements from units in the north. These replacements are generally in wretched, although reparable, physical condition and both American and Chinese establishments are taking special measures, medical and nutritional, to bring these men up to combat condition. From two to three months rest and special feeding in receiving camps are needed for such rehabilitation.

Internal politics have not been altogether absent from the selection of units to form the twelve Army groups, other than the Sixth. For instance, the Fifth Army Group (General Lung Yun's personal troops) has been included in the new elite Army which is to get American equipment and instruction not without some concession on the part of the Generalissimo, while General Chang Fa-kwei's command in the Fourth War Zone (Kwangsi, with headquarters at Poseh) has been left outside the pale as it were. Chang Fa-kwei's troops, however, are getting from the Military Affairs Commission a special measure of supplies and ammunition so that they will defend as well as possible the Poseh corridor for Japanese attack on Kunming and for Chinese attack on the Japanese lines of communications to Indochina.

*American Military Establishment.*

China Theater Headquarters are in Chungking and Rear Echelon Headquarters in Kunming. Lieutenant General Wedemeyer's command comprises the 14th Air Force under Major General Chennault, which now takes in the Chinese-American Composite Wing and all air combat forces in China, a separate Services of Supply China Theater command under Major General Cheves, a China Combat Command under Major General McClure, and a China Training Command under Colonel John W. Middleton. The headquarters of all four commands are in Kunming. In addition to General Wedemeyer's commands just mentioned there is in Kunming the headquarters of the China Wing of the India-China Division of the Air Transport Command, which is directly under Washington.

*Relationship of Two Establishments.*

The 14th Air Force, of course, is tactically independent. The Services of Supply, the China Combat and the China Training Commands, however, are the warp and woof so to speak of the new Chinese Army of twelve army groups mentioned above, although the Services of Supply Command also serves the American military establishment in the theater.

On February 11 last a Chinese Services of Supply was activated collateral to the new Chinese Army under the command of Major General Cheves, who was given concurrent Chinese rank of Lieutenant General. The deputy commander is a Chinese major general, Lu Tsu. This new Services of Supply Command is likewise under the jurisdiction of General Ho Ying-chin rather than under the Military Affairs Commission. It is divided into seven areas. Each area is under a Chinese commander directly under General Cheves, and each Chinese commander has an American deputy and a sizing of American personnel under him. Thus an American General is in supreme command and has direct charge of the equipping, feeding, clothing, hospitalization and general supply of the Chinese armies, both new and auxiliary. The requirements for these supply tasks are being met from local as well as from American sources.

The China Combat Command will provide the American "cadres" that will be attached to the different units of the new army. These cadres will be complete staffs of operational, infantry, artillery, engineer, transport, signal, supply, medical, veterinary and intelligence personnel. They will exercise no command over the Chinese units with which they will take the field and their functions will be purely advisory and technical.

The China Training Command presently operates an officers' staff school and artillery and infantry training centers for the personnel



of the new divisions. This personnel is selected from among the different units of the new divisions, given an intensive course of training and reassigned to key positions in the new Army.

*Comments.*

As has been already stated, the new Army is being rebuilt and revitalized with a definite purpose in view: the mounting in proper time of an offensive against the Japanese. The Generalissimo has approved the whole program and this purpose. Skeptics may wonder whether, when the reequipping and training program has been completed and the time for the offensive is at hand, the Generalissimo may not stall, may not balk at the prospect of this new Army being cut up by the Japanese, preferring to preserve it for post-war internal purposes. Informed Chinese do not believe that he will hold back. They have the feeling that as Commander-in-Chief he is on probation as it were vis-à-vis the American Government, that since the Stilwell crisis this is his last chance to show he is a worthy national war leader, and that being on his honor he will try to come up to American expectations. Another practical answer to any question on this score that may be in the minds of skeptics is that the new Army will be so honey-combed with American personnel who will know the exact condition at a given moment of every unit almost down to a platoon that, when the American high command decides on the basis of reports from this personnel that the Chinese Army is ready to start offensive operations, it will not be possible for the Chinese high command to plead unreadiness without risking a serious breach in the relations of the two Governments. In other words, while the American personnel in the new Chinese Army cannot exercise command, it can report that from every standpoint that Army is equipped to fight but will not do so.

There has been very little publicity of the preparations discussed in this despatch. In particular, the activation of the Sixth Army Group of North Burma and Salween Valley veterans is a military secret. Of course, the Japanese know of these preparations. Why, then, one may ask, are the Japanese sitting idly while this force that is to strike them is being built. The answer is that their logistics problems in any campaign to break up our program are as difficult as our own logistics problems is completing this program. It is a race for time on both sides. If and when the Japanese are ready logistically to attack us, they will do so. Our air base at Chihkiang (east of Kweiyang) will no doubt be their first objective. Then they will no doubt march on Poseh to block any designs we may have on their communications between Kwangsi and Indochina.

Respectfully yours,

WM. R. LANGDON

740.0011 P.W./4-845: Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 8, 1945—3 p. m.

[Received April 8—12:30 p. m.]

591. Summary of Military Attaché's report for week ending April 7:

Japanese continued to gain on all sectors of the Hupeh-Honan front. Laohokow airbase fell to the enemy several days ago. Laohokow City was still being defended by the Chinese, but the Japanese were shelling it with field guns preparatory to assault. The Chinese defenders of Nanyang, after having been surrounded for about a week, were said several days ago to be evacuating the city. Now all contact with the defenders has been broken and the city may have fallen. In northwest Honan the Japanese drive toward the important stronghold of Lushih continued to make progress as did the enemy advance up the Han River. Fancheng and Hsiangyang were taken and the Japanese were advancing steadily on Laohokow from the south. Enemy spearheads which originally averaged a thousand troops were reinforced. According to Chinese guerrilla sources, whole units moved forward in many sectors and guerrilla forces were able to occupy several villages behind enemy positions.

Chinese G-2 and other sources indicated Japanese concentrations in the Hengyang-Hsiangtan area. These concentrations indicated a drive on Chikiang, the most easterly 14th Air Force base south of the Yangtze. Enemy troop movements in South China continued, especially along the Kwangtung coast where Japanese garrisons from Swatow to Hong Kong were strengthened. The Japanese defenders of Kanhsien which were said to be surrounded by the Chinese were still holding out, indicating that the Japanese were not prepared to abandon their positions in this area.

Additional Japanese troops were being moved into Indochina, where enemy military activity continued, although no important troop movements were observed along the Yunnan frontier. No unusual enemy strength was reported in the Poseh-Nanning sector of Kwangsi. Speculation in regard to Japanese intentions may be warranted if Japanese troop movements along the China-Indochina frontier during the next 10 days continue to show an appreciable increase.

ATCHESON

390.1115A/4-945 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 9, 1945—4 p. m.  
[Received April 9—8:30 a. m.]

601. In view of developing Japanese threat to Sian, HQ United States Army [at] Chungking has offered, if and when it becomes advisable to effect a general withdrawal from Sian, to evacuate American civilians on its returning troop transport planes. Embassy Secretary at Sian has been so informed and has been authorized to discuss matter with American Army authorities.

ATCHESON

740.0011 P.W./4-1145 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 11, 1945—1 [10] a. m.  
[Received April 12—4:30 a. m.]

608. At a small dinner party given by Sun Fo and General Wu Teh-chen, Secretary General of the CEC<sup>19</sup> and former Mayor of Greater Shanghai, the latter raised with Atcheson the question of the possibility of making Shanghai an "open city." (ReEmbs 589, April 7, 11 a. m.<sup>20</sup>) He said that W. W. Yen, one-time Minister of Foreign Affairs who has been in Hong Kong and Shanghai since before the beginning of the Sino-Japanese war, had recently, together with other prominent Chinese, proposed to the Japanese authorities at Shanghai that the city be made an "open city" and that to accomplish this purpose the Japanese military and naval forces remove therefrom. Sun Fo made no comment. Atcheson said that there was always a possibility that the Japanese would endeavor to destroy Shanghai before evacuating it, judging from their actions at Manila. The political Vice Foreign Minister<sup>21</sup> who was present said he thought that was a probability and this opinion was concurred in also by Quo Tai-chi, former Ambassador to Great Britain and one-time Foreign Minister.

Wu did not pursue the subject. As is well known, he has considerable property interests in Shanghai, as have a number of important officials in the Chungking Government including H. H. Kung and T. V. Soong. As is also probably known to the Department, a number of Chungking officials also have relatives, including wives and children, in Shanghai, most of them living on [in] the French Concession.

<sup>19</sup> Kuomintang Central Executive Committee.

<sup>20</sup> Not printed.

<sup>21</sup> K. C. Wu.

(Incidentally the wives of Hu Shih, former Ambassador to the United States, and of Liu Chieh, present Minister Counselor in Washington, are living in Shanghai.) We may accordingly expect that this subject will come to the fore again, perhaps with more vigor, especially as the Swiss and Swedish Governments seem to have endorsed some such proposal.<sup>22</sup>

BRIGGS

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740.0011 P.W./4-1245: Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 12, 1945—9 a. m.  
[Received 12:13 p. m.]

610. At the request of the political Vice Foreign Minister I called yesterday afternoon at the Foreign Office accompanied by Acheson. Dr. Wu said that the Swiss and Swedish Governments were proposing that a portion of Shanghai such as the French Concession be established as a safety zone and had presumably taken up this question with the Japanese Government. (ReEmbs 608, April 11, 10 a. m. and previous.) He said that as the Concession and the International Settlement were to be returned to China the saving of property would of course be advantageous to his Government which nevertheless felt that there might be military considerations which would override such questions as saving of property or humanitarian considerations. He asked that I ascertain the views of the American Government in the matter.

Acheson remarked confidentially that the Swedish Minister had mentioned this proposal to him some days previously and that he had at once asked the Swedish Minister who would inform [*arrange?*] the conditions necessary for the maintenance of such a zone and prevent the Japanese from making military or other use of it contrary to Allied interests. Wu said that in his personal opinion, the proposal might be successful if it were expanded into one for making the whole of Shanghai an "open city" forbidden to Japanese shipping or any military use and asked what we thought of this suggestion. We replied that the whole question appeared primarily military for determination of the pertinent military authorities but that we would be pleased in accordance with his request to refer the matter to Washington.

Headquarters, United States Forces, China theater informed.

BRIGGS

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<sup>22</sup> See memorandum of March 27, by the Director of the Office of European Affairs, p. 72.

893.796/4-1345 : Telegram

*The Secretary of State to the Chargé in China (Briggs)*

WASHINGTON, April 13, 1945—4 p. m.

578. Department would appreciate any enlightenment which you can give on the reason the Theater Commander has disapproved the sending of TWA<sup>23</sup> pilots to China at the request of the Chinese Government to assist in the operation of CATC.<sup>24</sup> Confidentially, rumor has reached the Department that the decision was influenced by representatives of CNAC<sup>25</sup> who are anxious to keep other American aviation interests out of China.

While Department believes it is for Chinese to decide their domestic aviation policy, nevertheless if they desire participation of second American group to assist in development of this very large field, Department sees no reason why they should not be encouraged. Furthermore, if the Chinese are determined upon having another domestic aviation company besides CNAC and American assistance for the second is not forthcoming, it is to be expected that the Chinese will turn to some other nation for the assistance needed.

STETTINIUS

740.0011 P.W./4-1445 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 14, 1945—4 p. m.

[Received April 15—3 : 05 p. m.]

633. Following is summary of Military Attaché's report for week ending April 14 :

The Japanese 40th and 68th Divisions which had participated in the recent operations in Kiangsi are now concentrated in the Changsha-Paoching-Hengyang area in addition to the 64th, the 116th and elements of the 34th Divisions which have been permanently stationed in this area. The presence of such strong Japanese forces there is a strong indication of a projected drive into west Hunan with the Chihkiang air base as a possible objective. Latest reports indicate heavy concentrations in Siangtan, Paoking and Tungan. These troops include first line offensive divisions with many months' combat experience in South China.

After the capture of Laohokow by the 4th Cavalry Brigade and elements of the 3rd and 115th Armored Divisions, the Japanese were unofficially reported to have driven westward toward Ankang, their advance units having reached Yuhsien and Paiho. Elements of the

<sup>23</sup> Transcontinental and Western Air, Inc.<sup>24</sup> Central Air Transportation Corporation.<sup>25</sup> China National Aviation Corporation.

39th Division operating northward along both banks of the Han River were said to have reached the Laohokow-Kucheng area. However, according to Chinese intelligence sources, the Japanese as of midnight April 12 began to withdraw and Chinese forces reoccupied the city and airfield of Laohokow. These reports, if true, would indicate that the Japanese westward drive is at an end, its objectives having been reached. They may now hold a line running parallel to the Han River which would prevent the Allied use of the Laohokow air base and thus give adequate protection to Japanese positions in North Central China and particularly to the Lunghai and Pinghan Railways. These reports are not conclusive, he says, and although there may be considerable activity in the areas mentioned, it may be of a temporary nature and may have no bearing on the campaign as a whole.

As a result of the abrogation of the Russo-Japanese pact,<sup>26</sup> Japanese military strength in Manchuria will have to be increased and will undoubtedly affect their troop dispositions in the southeast. A change in Japanese strategy can be expected from the appointment of Suzuki<sup>27</sup> as Premier as it indicates a possible departure from the extreme rightist policies of the past. However, the new Government has not as yet activated any policies which would warrant such an assumption.

Little air opposition was encountered during the week. The 14th Air Force continued to carry out heavy attacks against highway, rail and river communications. These attacks were concentrated along the Lunghai and Pinghan Railways, the Han River and the Sian corridor. Dock areas at Hankow, Kiukiang and other points along the Yangtze were struck with good results and enemy ground forces in the Laohokow area were attacked. Hainan Island and Luichow Peninsula installations were swept by bombing missions and fighters and communications and enemy ground forces in Indochina were targets of several missions.

BRIGGS

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740.0011 P.W./4-1245 : Telegram

*The Secretary of State to the Chargé in China (Briggs)*

WASHINGTON, April 16, 1945—6 p. m.

585. Swedish and Swiss Ministers have approached the Department (your 610, April 12, 9 a. m. and previous) which is studying their proposal as well as the general question involved.

STETTINIUS

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<sup>26</sup> For statement of April 5, 1945, regarding Soviet denunciation of the neutrality pact between the Soviet Union and Japan, and for text of pact, together with the declaration, signed April 13, 1941, see Department of State *Bulletin*, April 29, 1945, pp. 811 and 812.

<sup>27</sup> Adm. Kantaro Suzuki.

740.0011 P.W./4-1845: Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 18, 1945—1 p. m.

[Received—1:12 p. m.]

641. Chinese Military Intelligence reports that the long anticipated drive to neutralize the advance Allied air base at Chihkiang in western Hunan (Embassy's 633, April 14, 4 p. m.) is under way, Jap troops in force from Changsha-Hengyang area having started a broad west-erly movement as of April 15.

Same source indicates that Jap drive toward Sian has halted, perhaps only temporarily.

BRIGGS

711.93/4-2545

*Memorandum Prepared in the Office of Far Eastern Affairs*<sup>28</sup>

[WASHINGTON,] April 18, 1945.

Our major objectives with respect to China are: effective joint prosecution of the war against Japan; and from a long-range stand-point, the establishment of a strong and united China as a necessary principal stabilizing factor in the Far East.

*Political*

Toward both the immediate objective of defeating Japan and the long-term objective of peace and security, we seek to promote establishment of a broadly representative Chinese government which will bring about internal unity, including reconciliation of Kuomintang-Communist differences, and will effectively discharge its internal and international responsibilities.

While favoring no political faction, we continue to support the existing Government of China, headed by Chiang Kai-shek, as the still generally recognized central authority which thus far offers the best hope for unification and for avoidance of chaos in China's war effort. However, with regard to our long-term objective and against the possible disintegration of the authority of the existing Government, it is our purpose to maintain a degree of flexibility to permit cooperation with any other leadership in China which may give greater promise of achieving unity and contributing to peace and security in east Asia. We are, meanwhile, assisting China, as a nation, to attain a position of recognized equality among the major powers.

<sup>28</sup> Transmitted to President Truman by the Acting Secretary of State with memorandum of April 27, which stated that this memorandum was prepared "at the request of the Secretary of State for use in connection with the San Francisco Conference"; copy transmitted to the Ambassador in China by the Acting Secretary of State in instruction No. 133, May 15, not printed.

We seek the cooperation of the Soviet Union and Great Britain as essential to the success of such policies. Toward that end we aim to promote friendship and mutual trust in Sino-Soviet and Sino-British relations. Where specific territorial or other issues exist, we would welcome, and assist when appropriate, amicable remedial arrangements, including for example: facilitation of the passage of Soviet trade through Manchuria, with the possible designation by China of a free port; restoration of Hong Kong to China and the perpetuation by China of its status of a free port; and adjustment of China's claims to outlying territories, such as Tibet and Outer Mongolia, with the concerned Soviet or British interests, as well as with aspirations of the native peoples of such territories for local autonomy.

As a further basis for peace and stability, we favor the establishment by China of close and friendly relations with Korea, Burma, Thailand, Indochina and other neighboring areas, without Chinese domination over such areas.

### *Economic*

Our short-term policy is directed toward the strengthening of the economic basis of China's war effort through: expansion of supply routes and services into China; lend-lease supplies to the limit of transport facilities; and joint Sino-American measures to strengthen China's war production, increase its supply of consumer goods, improve its internal transport systems, and combat its serious inflation.

Our long-range policy centers on the development of an integrated and well-balanced Chinese economy and a fuller flow of trade between China and other countries. Toward these objectives we seek full economic collaboration among China, the United States, Britain, the Soviet Union and other peace-loving nations on a basis of equality of opportunity, respect for national sovereignty, and liberal trade policies. We hope that China, for its part, will contribute to such collaboration, so necessary to China's agricultural and economic development, through the institution of reasonable policies calculated to encourage legitimate trade and enterprise.

We ourselves would expect—taking due account of the policies which may be followed by the Chinese Government and of actual conditions affecting American trade with and in China—to extend to China all practicable economic, financial and technical assistance which she may request in connection with her efforts to plan an integrated and well-balanced economy. We look forward to promoting mutually profitable Sino-American trade by all practicable means and to negotiating soon with China a comprehensive, modern commercial treaty.



*Military*

Our established military policy relating to China is thus far confined to the immediate objective of effective joint prosecution of the war through direct military assistance to China, promotion of Sino-American military cooperation, and assistance in mobilizing all of China's human and material resources against Japan. Parallel with our efforts to strengthen the political and economic bases of China's war effort, already outlined, we are undertaking to reorganize, train and equip part of the Chinese National Army as a compact striking force capable of playing a major part in driving the Japanese from China. We are also seeking to bring about vitally needed Chinese military unity through integration of the Chinese Communist forces with those of the National Government.

From the standpoint of our long-range political objective of a strong China able to contribute to peace and security, we would logically expect to assist China to develop a modern and effective post-war military organization. In view, however, of the uncertain present political situation in China and its potentialities for civil war and complications with Soviet Russia, we are not prepared to commit ourselves with the present Chinese Government for the rendering of such assistance until we are convinced that that Government is making progress toward achieving unity and toward gaining the solid support of the Chinese people.

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893.00/4-1945 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, April 19, 1945—6 p. m.

[Received 8 p. m.]

3990. Sterndale Bennett<sup>29</sup> has written Allison<sup>30</sup> referring to the talks on April 6 with Smyth<sup>31</sup> (reported in Embassy's confidential despatch No. 22265 of April 9<sup>32</sup>), at which time mention was made of the informal conversations which the Foreign Office hoped it would be possible to have with the State Department on Far Eastern matters. The letter states that while originally the Foreign Office had in mind questions relating to international arrangements in Southeast Asia, it was their hope that the conversations would not be confined to that area but might extend as well to China and Japan. (See also Embassy's No. 678 of January 19, 7 p.m.<sup>32</sup>)

<sup>29</sup> John Cecil Sterndale Bennett, head of the Far Eastern Department of the British Foreign Office.

<sup>30</sup> John M. Allison, Second Secretary of Embassy in the United Kingdom.

<sup>31</sup> Robert L. Smyth, Counselor of Embassy in China.

<sup>32</sup> Not printed.

According to Sterndale Bennett, the particular point brought out in the April 6 talk was that in the British view there is room for closer consultation on political and economic matters relating not only to the present war period in China but also to the liberation and postwar periods. It is claimed that the British, for example, have a larger interest than is generally recognized in the reorganization of China's war production and transportation. The Foreign Office assumes that the American Government has been giving considerable thought, as the Foreign Office has, to the problems affecting British and American nationals and their interests which will arise in Shanghai and other places when these are liberated from the Japanese. Sterndale Bennett says that looking further ahead, he is certain both countries are interested in the conditions under which their respective traders will have to work in postwar China, and that it therefore seems desirable that the projected conversations should include this subject and in particular the provisions of the commercial treaty which will be required under the new conditions in China at the close of the war.

Sterndale Bennett concludes by reemphasizing that the conversations are intended to be entirely noncommittal and informal. He states that their purpose is to afford opportunity "for a free and frank exchange of ideas, and in this I think lies their principal value." He says that he does not believe there should be a rigid agenda but that he hopes the questions mentioned in this letter will be touched on, though there will of course be many others some of which will only suggest themselves as the discussions proceed.

The Embassy believes that we should take advantage of the opportunity offered by the Foreign Office for a full and frank presentation of the American point of view on Far Eastern matters and for this informal exchange of views before final policies are fixed.

WINANT

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740.0011 P.W./4-2045: Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 20, 1945—11 a. m.

[Received April 21—10:14 a. m.]

651. The British Ambassador<sup>33</sup> called on me yesterday afternoon to express his concern over the lack of progress being made by the Chinese national office for the investigation of war crimes, due to the failure by the Chinese Government to take the necessary action to make this office effective. (During a call by Atcheson and me on Dr.

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<sup>33</sup> Sir Horace J. Seymour.

T. V. Soong just before his departure for the United States, Acheson called the Minister's attention to this situation and Soong said he would give orders designed to vitalize the Chinese office prior to his leaving.)

The British Ambassador and I shortly thereafter had separate interviews with Dr. Wu, acting Foreign Minister, during which reference was made to our preoccupation over the lack of progress. Wu stated to me that Soong had in fact spoken to him regarding the matter and Wu expressed the hope that a proper Chinese office might shortly be organized. I did not press the matter further in view of the imminent return of the Ambassador with Smyth (whom Acheson has recommended (Embassy's telegram 607, April 11, 9 a.m.<sup>34</sup>) be designated alternate American representative on the local subcommission) but I am of the opinion that the situation may have to be taken up with the Generalissimo and direct instructions issued by him in order to make Chinese participation really effective.

Acheson is, of course, fully cognizant of the various reasons for the present unsatisfactory situation and it is suggested that the Department may wish to discuss it with him when he reaches Washington.

BRIGGS

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740.0011 P.W./4-2245 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 22, 1945—8 a. m.

[Received 1:37 p. m.]

658. The new Japanese offensive in western Hunan (Embassy's 641, April 18, 1 p. m.) made considerable progress. In the drive westward from the Paoking area, the entire 116th Division was being employed, and elements of the 68th and 34th Divisions were participating in a drive northward from Tungan. Several Japanese battalions of the 64th Division, in support of these moves, began a drive on Changteh. The objective of these drives seemed to be the advanced Allied airbase of Chihkiang. Its capture would place the Japanese on a good road leading to Kweiyang. With the approach of warm weather, the Japanese may renew their drive on to that important Allied base, an objective which they abandoned October [December?] 4 when a lack of supplies and unfavorable weather conditions made difficult offensive operations in Kweichow. However, it may be concerned solely with the elimination of the airbase at Chihkiang.

The Japanese westward offensive in northwestern Hupeh having terminated, temporarily at least, their troops have been withdrawing

<sup>34</sup> Not printed.

from Han River positions. Several hundred enemy troops continue to hold important positions within Laohokow, although this city has been reported again to be in Chinese hands. It is not yet determined whether the Japanese have withdrawn to regroup and await reinforcements or whether they have been driven back eastward with heavy fighting still in progress. The main Japanese objective—the abandonment of the Laohokow airbase—has been achieved. There is as yet no indication that there will be no further offensive operations in western Honan. Important troop movements from Chenghsien [westward?] into the Yellow River area indicate that troops withdrawn from Laohokow may be used in move on Sian, although it is still too early to interpret present enemy activities there.

On April 20 Chinese military intelligence reported the movement of four enemy divisions toward Chahar and Suiyuan proving enemy [is taking?] steps to reinforce Inner Mongolia to secure their flank in the event of hostilities with the U. S. S. R. Elsewhere in China, Japanese activities were curtailed or confined to local maneuvers. Enemy outposts at Sinfeng, Tayu and Kanhsien in Kiangsi were strengthened and were indicative of Japanese plans to hold their positions there. In Kwangtung, they were reported to be consolidating their positions along the coast between Canton and Swatow. Because of a reported food shortage at Swatow, the Japanese may soon drive northward to Meihsien to seize the entire stocks of rice normally held in that area. The CACW and the 14th Air Force continued their strafing and bombing missions with troop concentrations, railroads, supply lines and river vessels as their chief objectives.

BRIGGS

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740.0011 P.W./4-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, April 30, 1945—8 a. m.

[Received May 1—8:30 a. m.]

694. Following is summary of M[ilitary] A[ttaché]'s report for week ending April 28:

The enemy drive into western Hunan continued, but at a slower pace. Advance elements of the Japanese 116th division probed the mountainous approaches to Chihkiang about 60 miles away. Within the Chihkiang area, conditions were sufficiently serious for the American military authorities to take precautionary measures against enemy saboteurs and agents. An American officer is reported to have been shot in the chest as he sat near an alert shack on the airfield. On the same day, shots were fired at a jeep crossing the airstrip and small

arms and automatic weapons fire was heard in the vicinity of the group HQ and the hostel area, and the radio station was the target for enemy shots. The Chinese authorities assert these disturbances were caused by bandits, although in our opinion they were enemy inspired.

Captured documents indicate that Yuanling as well as Chihkiang may be an objective of the present enemy drive. Yuanling is an important town on the main highway which connects Hankow and Kweiyang via Changte and Chihkiang and parallels the Japanese communications line from central China to Indochina via Hengyang and Kweilin. The capture of this highway would greatly strengthen the Japanese overall position in south China.

Enemy activity in western Honan continues to indicate that the possibility of a drive on Sian cannot yet be discounted. Although major units which have participated in the Laohokow campaign were withdrawn to Nanyang, they remain a potential threat to Sian. With the arrival of reinforcements, Laohokow is safely in Japanese hands.

Elsewhere in China, little change is recorded. There is an unconfirmed report the [*that*] 2,000 troops of the Japanese 23rd Division are attacking westward from Wuming. The enemy is developing its defensive positions in the Hangchow-Shanghai area, and considerable troop movements are reported through the Swatow-Canton-Kukong area. The 14th Air Force continued to support the bombers and fighters Chinese group troops on all fronts and maintained operations against enemy supply lines. Ocean and reconnaissance patrols followed well established patterns.

HURLEY

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740.0011 P.W./5-345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 3, 1945—2 p. m.

[Received May 4—3:50 p. m.]

718. There are now some 1,800 French and Annamite military personnel and civilian refugees from Indochina in southern Yunnan, of whom 500 are in Mengtze and the balance in Makwan. The United States Army has been offering them such relief in the nature of food, clothing and medical supplies as its facilities permit. Its efforts are being supplemented by those of UNRRA (Embassy's 695, April 30, 9 a. m.<sup>35</sup>).

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<sup>35</sup> Not printed.

The French Ambassador has called separately on General Wedemeyer and myself to solicit our good offices. Our Army has now agreed to transport by air to interior Burma all the ill, wounded, women and children, and General Pechkoff has given Army Headquarters a signed statement (1) releasing the American Government from responsibility in the event of loss or injury incident to such transportation and (2) agreeing that cost will be a charge against the French Government. A copy of this statement, which is considered satisfactory by our military, will be forwarded by air mail.<sup>36</sup>

In addition to the above, there are some 500 French military and civilian refugees at Fangcheng, on the Kwangtung coast, whom the United States Army is assisting to make their way overland to Poseh in Kwangsi whence they can proceed by air to Kunming.

HURLEY

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740.0011 P.W./5-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 6, 1945—8 a. m.

[Received 9:45 a. m.]

729. Following is summary of M[ilitary] A[ttaché]'s report for week ending May 5:

The enemy drive toward Chihkiang continues. Elements of the 68th and 34th enemy Divisions, operating out of the Chuanhsien-Tungan area, moved toward Chihkiang from the east, while elements of the 116th Division moved on the Yuanling-Chihkiang road from the northeast; with the apparent intention of outflanking the city from two sides.

According to recent reports, the arrival of at least elements of the 47th Division which was formerly stationed in the Shanghai area indicated an increase of enemy strength in Hunan. It was not clear whether these forces would move into other sectors in South China or whether they would remain near Changsha. In this connection, northern Kwangtung was reported to be in the process of being vacated by elements of the 25th Division which was said to be moving into the Swatow-Canton area, and the 47th Division units were possibly destined to replace them. There was as yet no indication whatever as to their future deployment.

Fighting was in progress at several points on the Hupeh-Honan front between the Han Ho (River) and Laohokow, especially at Hsihsiasuchi, a small town located at a strategic point on the road leading to Sian. At Laohokow, Japanese troops again crossed the

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<sup>36</sup> Despatch No. 362, May 5, from the Ambassador in China, not printed.

Han River, and considerable numbers of the enemy had reached the front line.

The airbases at Sian and Chihkiang actively supported ground operations in Honan and Hunan.

HURLEY

740.0011 E.W./5-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 12, 1945—9 a. m.

[Received 1:55 p. m.]

773. As the Department will note (my telegram 772, May 12<sup>37</sup>), the Generalissimo in his V-E<sup>38</sup> Day address delivered at a reception attended by the Diplomatic Corps and highest officials of the National Government stressed:

1. Tribute to U. S. S. R., Britain and United States for victory in the West,
2. Tribute to President Roosevelt and
3. Rededication of Chinese Government and people to the task of defeating Japan.

This address was extremely well received and should have excellent effect.

HURLEY

740.0011 P.W./5-1445

*Memorandum of Conversation, by the Acting Secretary of State*

[WASHINGTON,] May 14, 1945.

At the President's request, I attended this afternoon at two o'clock a meeting between the President and T. V. Soong, Foreign Minister of China. Nobody else was present.

Mr. Soong took up the following problems:

(1) Brunt of driving out Japanese forces from China by sustained effort, falls on China, hence:

(a) Continuation of military supplies to Chinese Army via India and Burma.

The President said that we had every intention of continuing these supplies.

(b) Opening up of a port on the Chinese coast to bring adequate military supplies, transports, and industrial equipment in order to strengthen Chinese economy for final war effort. It follows that appropriate Lend-Lease arrangement must be made now to

<sup>37</sup> Not printed.

<sup>38</sup> Victory—Europe, May 8, when German armies surrendered.

prepare for supplies when port is opened. Which U. S. agency to apply to?

The President said that Mr. Soong should discuss this matter with Mr. Crowley<sup>39</sup> and I suggested that Mr. Clayton<sup>40</sup> might also be helpful. The President concurred and advised Mr. Soong to see both Mr. Clayton and Mr. Crowley.

(c) Implementation of 1943 Agreement to supply gold to check Chinese inflation.<sup>41</sup>

Mr. Soong said that he had discussed this matter with Secretary Morgenthau,<sup>42</sup> who had suggested the use of Chinese gold in the United States, but Mr. Soong advanced various reasons why he felt this would not be practical. The President said that he was not familiar with these technical financial matters and would like to consult Secretary Morgenthau before giving Mr. Soong an answer yes or no.

(2) Arrangement, in the event of American landings, to hand over enemy-held Chinese territory and territories that under the Cairo Agreement<sup>43</sup> are to be returned to China.

Mr. Soong produced a map of China and said that Manchuria and Formosa should be handed back to China. The President concurred.

(3) Understanding with Russia generally, and particularly if she enters war.<sup>44</sup> Chinese internal situation.

Mr. Soong sketched the relations of the National Government with the Communists and said that the National Government would like to have the Communists join in but could do so only if the Communists recognized that the National Government was in supreme control in China. He discussed at some length the attitude of Soviet Russia, which, during the early stages of the Sino-Japanese war when China alone was holding off the Japanese forces, was very friendly and had helped the Chinese Government with a supply of arms and ammunition. This had continued for some time but latterly there had been a change and the Soviet Government seemed to be supporting the Chinese Communists rather than the National Government. Mr. Soong said he thought it very important that he should proceed to Moscow to discuss this situation with the Soviet authorities and that at the termination of the San Francisco Conference he would like to proceed first to Chungking, then to Moscow, and then back to Washington via London to report further to the President. He said that no Chinese planes were available for such a journey and he asked the President if he could have an American Army plane for this purpose. The President assented but I said that, before committing ourselves on this I would like to look into it a little further and to report further to the President. The President assented to this procedure. Mr. Soong said that the Soviets were using American planes and that,

<sup>39</sup> Leo T. Crowley, administrator of the Foreign Economic Administration.

<sup>40</sup> William L. Clayton, Assistant Secretary of State for Economic Affairs.

<sup>41</sup> For documentation on this subject, see pp. 1055 ff.

<sup>42</sup> Henry Morgenthau, Jr., Secretary of the Treasury.

<sup>43</sup> See White House press release of December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393, or *Foreign Relations*, Conferences at Cairo and Tehran 1943, p. 448.

<sup>44</sup> For documentation on this subject, see pp. 851 ff.



as for the political implications involved, he thought it would be helpful to have the Russians know that he was returning to Washington to talk to the President after the meeting in Moscow. This matter was left open.

(4) Regional security treaty for the Pacific.

Mr. Soong said that he thought it would be helpful to have a regional security pact for the Pacific but the President immediately stated categorically that in general he was opposed to such regional arrangements, as in his opinion they would tend to weaken the proposed world organization and would lead to a return to power politics. The President spoke with such emphasis in this respect that Mr. Soong did not pursue the matter.

In the course of the conversation the President said that the United States desired to see a strong, united and democratic China. Mr. Soong observed that the maintenance of Chinese sovereignty was the most important thing of all. The President concurred.

JOSEPH C. GREW

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124.936/5-1445

*Memorandum of Conversation, by the Counselor of Embassy in China  
(Briggs)<sup>45</sup>*

[CHUNGKING,] May 14, 1945.

Colonel Dusenbury and Captain Jarrell called on May 12 at my request, Mr. Smyth likewise being present.

I explained to the attachés that with the reorganization of the Political Section, the Ambassador desired that there be closer coordination between that section and the Military and Naval Attachés with respect to political reporting. We are aware of the fact that both attachés are under instructions from their respective departments to report on political matters, but it is important that these reports be integrated and in particular that no confusion be created in Washington by the arrival of reports which are not in conformity with each other.

Proper coordination may present certain difficulties pending the consolidation of offices in the Chancery, which we shall accomplish at the earliest possible date. Pending such consolidation I suggested that political reports be prepared by the attachés in draft form and that they then be shown to and discussed with either Mr. Smyth or me.

I also reminded my callers that our political reports are available for inspection by the attachés and that it is our desire to operate the entire Embassy establishment as a single team and to have everyone informed of what the various branches of the Embassy are doing.

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<sup>45</sup> Transmitted to the Department by the Ambassador in China in his despatch No. 392, May 14; received May 26.

In this connection the weekly meetings attended by representatives of all the agencies of our Government in Chungking serve an excellent purpose as a sort of clearing house for information, questions, etc.

I also took occasion to say that in the improbable event of a disagreement concerning interpretation in connection with political reporting, the attachés are at liberty to report their own views to their own Departments, with the understanding that in that case the Embassy would be at liberty to transmit a copy of the report in question to the State Department, with a statement of our dissenting opinion. In other words, we are not trying to dictate opinions to the attachés, but endeavoring to establish the most efficient possible service for our Government in Washington.

Colonel Dusenbury and Captain Jarrell stated their agreement with the foregoing.

E[LLIS] O. B[RIGGS]

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740.0011 P.W./5-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 16, 1945—8 a. m.

[Received 2:18 p. m.]

780. 1. Following is summary of M[ilitary] A[ttaché's] report for week ending May 12:

The Japanese drive on the Allied advance air base of Chihkiang came to a standstill. Some advancing columns were halted and in many sections the enemy was withdrawing, seemingly as a result of Chinese counterattacks. Enemy commitments were quite substantial, with some 35 to 40,000 troops reportedly involved.

Chinese press communiqués, consistently optimistic and prone to exaggeration in the past, claim that the enemy offensive had been smashed. If these reports were true, this would indeed be heartening news. However, Japanese troops do not generally conduct large-scale retreats and Chinese reports to the contrary should be treated with reserve.

Slow Japanese progress in western Hunan might be variously explained. The last drive in this theater was that conducted over 5 months ago into southern China. During these 5 months Chinese forces have been reorganized and regrouped and have been given additional equipment. Some 9 battalions of the remnants of the MRS task-force and Merrill's Marauders are instructing and otherwise giving realistic aid to Chinese forces in this theater. Another factor is the terrain in western Hunan. Whereas former enemy campaigns were generally fought on comparatively level land, which enabled the

enemy to disregard lines of communication to a certain extent and to move across country, the mountainous region to the east of Chihkiang restricts Japanese maneuvers to available roads and facilitates effective tactical use of air power by the defending forces. The 14th Air Force has flown successfully many such missions and the Chinese ground troops are now reportedly cooperating satisfactorily for the first time. Furthermore, the civilian refugee problem in western Hunan had not become as serious as in other campaigns. It must be kept in mind, however, that Japanese strength in Hunan, both in reserves and forward troops, is thought to be large enough for them to carry the campaign to a successful conclusion. The present enemy reverses do not indicate that the threat to Chihkiang has been averted.

The importance of developments in North China continued to be stressed by Chinese intelligence which was of the opinion that the enemy was engaged north of the Yellow River in a large-scale movement of troops in order to (1) prepare a front against a possible American action against the Chinese mainland and (2) defense against a possible Soviet drive into Inner Mongolia and Manchuria. In South China as well there was evidence of considerable troop movements, especially in Hainan and Kwangtung where the enemy seemed to be engaged in defensive operations.

As indicated above, the main activities of the CACW and the 14th Air Force were directed toward the support of the Chinese defenders of Chihkiang. Bombing of Japanese supply lines continued with little enemy air opposition. End of M[ilitary] A[ttaché's] weekly summary.

2. Chinese sources reporting to the MA indicate that during the past 2 weeks about 100,000 Japanese have passed through Kweilin for Hengyang and the north, and that the Japanese civilian population of Canton has been ordered to evacuate to Formosa via Swatow and Amoy. Should this be confirmed it would of course constitute a very significant development possibly presaging a shortening of Japanese fronts.

HURLEY

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893.00/5-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 19, 1945.

[Received May 19—12:45 p. m.]

802. Following is summary of resolution on foreign policy (as reported in *Central News*) adopted by 6th Kuomintang Congress in the May 16 session: Our rejoicing over the victory in Europe is tempered by our regret that President Roosevelt did not live to see this day. The United Nations cannot rest until Japan is defeated.

Our foreign policy under the guidance of President Chiang has enabled us to snatch victory from defeat and to realize the aims of Dr. Sun Yat-sen by abolishing extraterritoriality, and through the Cairo Conference obtain guarantee of the return of our lost territories. China harbors no territorial ambitions. All she wants is the preservation of her territorial and administrative interim [*integrity*] and fair and equal treatment for all her nationals overseas. It is hoped that the five great powers will continue to cooperate after the war. Especially [is] friendly cooperation necessary between the U. S. S. R. and China. China will do everything possible to insure success of San Francisco Conference. National unity and constitutional government are the cherished objectives of Kuomintang endeavor. Only a strong and united China, faithful to the Three People's Principles can plan its proper part in the maintenance of peace and cooperation with the United Nations.

HURLEY

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740.0011 P.W./5-1945: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 19, 1945—5 p. m.

[Received May 19—12:35 p. m.]

805. Following is summary of M[ilitary] A[ttaché]'s report for week ending May 19:

The threat to Allied air base at Chihkiang was eased by the continued enemy withdrawal from western Hunan with the Chinese reportedly in hot pursuit. The Japanese drive to neutralize this base has therefore apparently failed, and the results of the last few weeks' fighting in western Hunan may be termed an Allied victory as the Chinese ground forces, aided by excellent American air support, have resisted the substantial Japanese force deployed against them. It is difficult to estimate whether the same results would have been obtained if the Japanese, in a determined effort to reach their objective, had brought into play their reserves, the fact remains that further enemy penetration into western Hunan has been averted and the Allied base at Chihkiang has been saved.

Reports dealing with large scale enemy troop movements in China may explain the Japanese withdrawal.

According to Chinese intelligence, the enemy have abandoned their plans for occupation of further territory in China, and second rate Japanese units with the assistance of Manchurians and puppets will largely replace combat troops now in the interior. Such combat troops, it is understood, are to be moved to more vital coastal regions, perhaps to the north of the Yangtze, to prepare for an Allied invasion.

Increased Japanese troop movements have been noted on all lines of communication, mainly from the interior to the coast and from South China northwards. Certain divisions which had been used in recent campaigns or had been stationed in the interior have been replaced by new units and have been identified on the coast or moving toward it (for example the 35th Division from Ichang and the 27th and 104th Divisions which had participated in the capture of the Allied air bases in Kiangsi and the Hankow-Canton Railway). It is as yet too early to make a positive evaluation of this movement but as further identifications of divisions are made, more concrete proof may become available to substantiate this estimate. There are indications of a Japanese withdrawal from Foochow and other coastal towns in South China.

The coolness of Russia's attitude toward the Japanese, the American victories in the Pacific and the termination of the European war are all important factors influencing Japanese strategy, and moves away from the interior of China toward real menaces elsewhere should come as no surprise.

Allied air activities continued to be confined to bombing of enemy supply lines and installations throughout the theater and to giving support to ground operations in Honan and Hunan.

HURLEY

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740.0011 P. W./5-2145 : Telegram

*The Ambassador in China (Hurley) to President Truman* <sup>45a</sup>

[CHUNGKING,] 20 May, 1945.

201118. Lord Louis Mountbatten and the diplomatic, commercial and military representatives of the other nations with colonial interests in Asia are endeavoring to obtain the appointment of Lord Louis as Commander under the Generalissimo of all the United Nations Forces in China. Should Lord Louis or any other British Admiral or General receive this appointment in preference to an American it would constitute an overwhelming victory for the hegemony of the imperialist nations and the principles of colonial imperialism in Asia. Such an appointment would also be a distinct setback for America and democracy in Asia.

In dealing with this new development the United States is not in an altogether fortunate position. President Roosevelt definitely refused to appoint an American commander or to assume responsibility when the situation in China appeared to be approaching a collapse. At this point it would be appropriate to read the following messages: President Roosevelt's messages through me to Chiang Kai-shek dated Oc-

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<sup>45a</sup> Notation on the original: "Copy to General Marshall and to Admiral King." Copy obtained from former President Harry S. Truman.

tober 6 [5] and October 18, 1944<sup>45b</sup> and my message to the President dated October 13, 1944.<sup>45c</sup> The Generalissimo finally declined to appoint Stilwell commander under him of all forces in the Chinese Theater.

I then advised the President that the only issue between him and Chiang Kai-shek was Stilwell, the Generalissimo looked upon Roosevelt as his own personal friend, as China's greatest supporter and as the world's greatest leader of the forces of liberty and democracy. The Generalissimo said he would appoint any other American General whom the President would select. The President declined to offer the Generalissimo an American General for this position in his message of October 6, 1944, in the following words: "The current [*ground*] situation in China has so deteriorated since my original proposal that I am now inclined to feel that the United States should not assume the responsibility involved in placing an American officer in command of your ground forces throughout China."

On October 13, 1944, I said in part to the President: "If you are not going to appoint some other American officer, we should withdraw from China. I do not agree with what you have said in your telegram to Chiang Kai-shek to the effect that America declines to take responsibility in China because we fear a collapse. It is because there is danger of a collapse that America should assume responsibility." In the same telegram I said to the President, "I recommend that you appoint an American General who will be acceptable to the Generalissimo" and again, "We should accept the responsibility which the Generalissimo wishes to give for an American commander of all ground and air forces in China; for the reorganization of his service of supply, for the training of his army and every other responsibility that he will give American officers with adequate authority." In that same telegram I advised the President: "If we permit China to collapse, if we fail to keep the Chinese Army in the war all the angels in Heaven swearing we were right in sustaining Stilwell will not change the verdict of history. America will have failed in China. I am convinced that we can keep China in the war and that we can reorganize the Chinese Army through the Generalissimo."

The President, however, reiterated his position in his message of October 18 in the following words: "As stated in my October 6 message, I do not feel that an American should in the present situation

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<sup>45b</sup> For telegram dated October 5, 1944, see *Foreign Relations*, 1944, vol. vi, p. 165. Telegram of October 18 not found in Department files.

<sup>45c</sup> See *Military Situation in the Far East: Hearings before the Senate Committees on Armed Services and on Foreign Relations*, 82d Cong., 1st sess. (Washington, Government Printing Office, 1951), p. 2879.

assume responsibility in a command position for the operation of Chinese forces in China. However, I will furnish a qualified officer to serve as your Chief of Staff." In the same telegram the President went on to separate the India-Burma Theater from China and to establish a separate China Theater. This latter action I consider sound. It simplified command processes by making China a separate theater. In view of existing conditions it is proper to continue China as a separate theater. You will note that the President made a number of other requirements which the Generalissimo freely accepted and expedited.

I pause here, Mr. President, to make a personal statement. The correspondence above quoted shows the great tolerance of President Roosevelt and the latitude he gave me to express my opinions when they were in complete conflict with his own, he knew of course that once he announced his decision I would make it my own and implement it effectively. This is the attitude, Sir, that I now assume toward you.

In the President's message you can read that while he was against taking responsibility for an American commander in the chaotic condition that then prevailed in China he still placed in the Generalissimo's hands what I believe to be sufficient American support to prevent the collapse of the Government and to stop the Japanese attack. The action of the President also stimulated the endeavors of Chiang Kai-shek and other Chinese leaders in their efforts to work out their own salvation. The President as you will note also advised the Generalissimo that I would remain with the Generalissimo as the President's personal representative in military affairs. At that time I advised the Generalissimo that with an American Chief of Staff who would also be commander of all American forces in China and an American commander of the Air Forces and an American commander of the Service of Supply and American officers in charge of training and in various other positions of responsibility and with myself near the Generalissimo as representative of the President we could in cooperation with the Chinese still stop the Japanese attack and prevent the collapse of the Chinese National Government and its military establishment. I convinced him that we could also harmonize the relations between the American military establishment and the Generalissimo and between the American Government and the Government of China. The Generalissimo accepted this advice.

After Stilwell had been relieved and the resignation of Gauss had been accepted, many American Army and diplomatic officials returned with them or after them to Washington. About that time there began an inspired attack in the American press and radio against the National Government of China. To some extent this attack had the support of American officials who had been removed in China. The

attack was also supported by ideological propagandists and crusaders against the American ideology, some few of whom had been serving as war correspondents in China. Because of this onslaught the American public seemed to have been convinced that the Chinese National Government must collapse. The extent to which this opinion was held is indicated by the fact that two distinguished United States Senators, Chandler and Brewster, who had visited China, issued a statement expressing the opinion that nothing short of a miracle could prevent the collapse of the National Government of China.

While the President refused to appoint an American commander, his policy was still to sustain the National Government of China. Incidentally that has been the policy of the United States since before Pearl Harbor. In Secretary Hull's statement to the Japanese and in the President's statement to the Japanese immediately before Pearl Harbor, it was strongly asserted that America was committed to support economically, politically, and militarily the National Government of the Republic of China.<sup>45d</sup> This same policy was continued in America's mutual aid pact-Lend-Lease agreement with China. America has from the beginning until now recognized both as *de facto* and *de jure* the National Government of the Republic of China.

Before my first visit to China, President Roosevelt briefed me on all of these matters and directed me to prevent the collapse of the National Government and to harmonize the relations between the Chinese Government and military establishment and the American Government and military establishment, the President was fully advised of all the imperfections and shortcomings of the National Government and of all the difficulties encountered by American officials in their relations with Chiang Kai-shek. In face of all these facts the President said he knew of no other regime or government or of any other leader in China from whom we could expect more support and cooperation than we were receiving from the National Government and from Chiang Kai-shek. During the Stilwell controversy and before the arrival of General Wedemeyer, owing to the disastrous military situation in China I recommended (1) that we remove the B-29 strategical bombers from this area and base them where they could be supplied from the sea thereby relieving over the Hump tonnage which could be used to supply tactical air and ground forces; (2) that the United States use so much of the American and Chinese resources then in India and Burma as would be necessary to stop the Japanese drive in China.

At this time General Wedemeyer who had been selected by Presi-

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<sup>45d</sup> See point 4 of Section II of outline of proposed basis for agreement between the United States and Japan, dated November 26, 1941, *Foreign Relations, Japan, 1931-1941*, vol. II, pp. 768, 769.



dent Roosevelt and the Joint Chiefs of Staff reported to the Generalissimo. Wedemeyer was immediately appointed Chief of Staff by the Generalissimo. Wedemeyer was also appointed commander of the American Forces in China. At the time Wedemeyer took command the Chinese Army was in full retreat. Both Chungking the Capital and Kunming the American base were in immediate danger of being captured by the Japanese. Wedemeyer made a number of correct decisions. He implemented his decisions quickly and successfully. He used American and Chinese resources from India and Burma carefully and with due consideration for existing conditions in the India-Burma Theater. He used only so much of the Chinese-American resources as was necessary to stop the Japanese drive on Kunming and Chungking.

Wedemeyer is working in complete confidence and cooperation with the Generalissimo. Wedemeyer has harmonized and integrated the American and Chinese staffs so that they are now working as one team with the objective—the defeat of Japan. Wedemeyer is training and reorganizing the Chinese Army through the Generalissimo. In at least 36 divisions he is exchanging the Chinese antiquated weapons for American equipment and training Chinese in the use of American equipment. To say the least, Wedemeyer has stopped Japan in this Theater. He has stabilized the military situation in China. In this he has had the unlimited support and cooperation of the American Joint Chiefs of Staff.

No one realizes more fully than Wedemeyer and myself the tremendous effect that American victories in the Pacific had in bringing about the change in the military situation in China. It should be apparent to the most skeptical that America has succeeded in preventing the collapse of the National Government of China, in harmonizing relations between America and China and in keeping the Chinese Army in the field and in contact with the enemy. The Chinese Army every place is now stabilized and holding. In some places it has resumed the offensive.

In addition to this we have been instrumental in bringing about closer and more harmonious relations between Russia and China. For this purpose at the direction of President Roosevelt I made two visits to Moscow. We have obtained the approval of Britain and Russia for the unification of the armed forces of China. We have obtained an agreement by Britain and Russia for the support of the American policy in China which is to endorse and support the aspirations of the Chinese people to create for themselves free united democratic government. We have been instrumental if not the prime movers of having Chiang Kai-shek make beneficial personnel changes in the National Government. We have urged the Generalissimo and

the National Government to inaugurate the action now taking place for the adoption of a democratic constitution, the liberalization of government and the inauguration of democratic processes.

We have succeeded in having the National Government recognize the Chinese Communist armed party as a political party by appointing a Chinese Communist as a delegate to represent the National Government at San Francisco. The Communists recognized the National Government by accepting the appointment. We have visited with the Communist leaders in their own territory. We have brought about conferences between the Communist and National leaders in which they seem to have eliminated some of their conflicts. In the controversy between the Government and the Communist Party we had two major objectives, (1) to avoid what appeared to be an immediately impending civil war, (2) to unite the Communist and National Government armies under one commander to fight Japan. Russia's approval for unification of the armed forces of China and the fact that Chiang Kai-shek is now working for unification indicates the possibility of a satisfactory solution. The Communist armed party, however, still contends and in my opinion with some degree of reasonableness that they will not submit their troops to the command of the Chinese National Government unless an American or other Allied officer is placed in command under the National Government of all the armed forces of China.

All the foregoing has been achieved by vigorously implementing America's policy to support the National Government changing as far as possible what we conceived to be unworthy objectives of that Government. What we have recited here could never have been accomplished by the individuals who mistakenly opposed and weakened the National Government, who desired to have America recognize the Chinese Communist armed party as a belligerent and unite our forces with the Communist Party, thereby eliminating the National Government. If these well meaning but misguided Americans who seemed not to understand America's true policy in China had succeeded, the Chinese National Government would have collapsed. Chaos and civil war in my opinion would have ensued and America would have failed in China.

The foregoing recitation of facts is intended to give you a picture of the events that led to the present stabilized position of the Chinese National Government. Throughout this period Great Britain had no troops in contact with Japan in the China Theater. Great Britain did not contribute to the prevention of the collapse of the Chinese National Government. At a time when the stability of the Chinese Government was questionable and it appeared that the Chinese Army might not continue in the war, Great Britain was not seeking the com-

mand nor assuming any responsibility in China. Great Britain has avoided any responsibility in the controversy between the Communist armed party and the National Government. In fact we have found evidence that some of Great Britain's agents were actually endeavoring to keep China divided against herself. Now that the Chinese with the leadership and support of America have recovered and are fighting, the British would not be averse to stepping into a position where they could claim credit for what has been achieved as well as credit for the final defeat of Japan and thereby reestablish the prestige of imperialism.

The personal representative of Prime Minister Churchill, the British Embassy, the British War Mission and other British commercial, propaganda and espionage missions, the Canadian Embassy, the Australian Embassy, the Netherlands Embassy and the French members maintain staffs in China. No troops of any of these nations participated in any combat contacts against Japan in the Chinese Theater. The French claim that French troops and guerillas have fought Japan during that period in Indochina. The fact remains, however, that there are no British, French, Dutch, Canadians or Australian troops in China. Notwithstanding this, I was advised under date of May 15 that the British Major General Hayes had been appointed by the British Chiefs of Staff as "General Officer Commanding British Forces in China".

If Lord Mountbatten or any other British Admiral or General is appointed to the position of commander in China, the resources he will use to complete the defeat of Japan will be more than 95 percent American. It will be another clear case of the use of American resources to defeat American principles and American policies. It is also claimed that Lord Louis has a well organized headquarters which could move immediately into the Chinese theater. It is true that he has a modern military headquarters. It is true that Lord Louis has an American deputy commander and other able American officers on his staff, but Lord Louis and his staff do not have the knowledge of China and the experience with the enemy in China now possessed by Wedemeyer and the American and Chinese staffs at Chungking. So far as the American commanders or deputy commanders are concerned, you, Mr. President, have at your disposal American generals whose combat experience and achievements are far superior even to the record that Lord Louis' public relations officers claim for him.

The paramount political issue in Asia for many years has been the issue between democracy and imperialism. We supported Chinese democratic aspirations against the imperialism of Japan. The question is will we now permit British, French and Dutch imperialists to

use the resources of the American democracy to reestablish imperialism in Asia. It is the old conflict between the aspirations of people to be free and the desire of predatory nations to rule. I have omitted any discussion in regard to the position of Russia for reasons that will be well known to you. The appointment of Lord Louis or any other imperialist as Commander in China would constitute nullification of American principles and achievements in China. We are not opposed to giving the British more credit than they deserve in this war against Japan, but we are opposed to the surrender of the principles of democracy that led America into the war for the purpose of destroying Japanese imperialism.

America has fought Japan practically alone on the sea and on the land. All the imperialistic nations have done has been in an endeavor to recover their colonial possessions, largely by the use of American and Chinese resources, and reestablish the prestige of imperialism. The defeat administered to Japan on the sea and on the land and the present attack on the homeland of Japan should indicate even to the casual observer that all the Southeast Asia colonial or imperial areas must fall like ripe apples as America approaches the heart of Japan. The command of Lord Louis in Southeast Asia has been at most a holding job. Its mission as a holding force was made easy by American victories in the Pacific. Because of American victories in the Pacific, the Japanese are now in full retreat from Lord Louis' area and his job now is one of easy and leisurely mopping up.

I recommend (1) that you oppose the appointment of any General other than an American as Commander of all the forces in the Chinese Theater, (2) that you authorize me to approach the Generalissimo with the suggestion that you might now consider the assignment of an American General to be appointed by the Generalissimo to command all forces in the Chinese Theater.

[HURLEY]

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893.796/5-2345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 23, 1945—2 p. m.

[Received 4:25 p. m.]

832. Appropriate officer at U. S. Army Headquarters here states that sending of two pilots to China to assist CATC was disapproved because of tightness of transportation and lack of adequate number of planes of CATC. (ReDeptel 578, April 13, 4 p. m.) He states this action was taken without knowledge of CNAC officials and that when transport situation is easier and when CATC has more planes head-

quarters is prepared to reconsider matter. (According to Communications Ministry, CATC during 1944 operated only two old planes on irregular schedules.)

Regarding second paragraph of Depts telegram, officer stated that there was no question of favoring CNAC and American company interested in that concern. He said that he recognized importance from long-range standpoint of having another American company assist Chinese in development of civil aviation here.

HURLEY

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740.0011 P.W./5-2845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 28, 1945—10 a. m.

[Received—4:38 p. m.]

857. Following is summary of M[ilitary] A[ttaché]'s report for week ending May 26:

During the past week the enemy has been engaged on large scale troop movements throughout China. Chinese intelligence feels that this marks the commencement of a strategic withdrawal of the best Japanese units from the interior to vital areas along the coast. The 69th Division, formerly stationed in the bend of the Yellow River, has been transferred eastward, reportedly to Shantung. The 110th Division is expected to move eastward from its present position in West Honan where it has been participating in the operations against the Chinese. Several enemy divisions in South China are also said to be moving, but there is no indication as to their destinations. A sharp increase in enemy strength has been reported along the coast, especially in Shantung, where the Japanese are engaged in a large-scale reorganization of their positions.

Throughout the week fighting continued on the various fronts where the Chinese claim to have been in contact with the withdrawing enemy. In Hunan, the enemy continued to retire but at a slow pace in order to assure the safe evacuation of all their troops. In Western Kwangsi, the Japanese also began to withdraw and early in the week they completely abandoned Hochih, and the Chinese now claim that their patrols have reached Ishan, half-way to Liuchow. In West Honan, however, the enemy have attempted a small-scale operation south of Loyang, but as yet have been unsuccessful. The 14th Air Force and other Allied units took the fullest advantage of the situation and continued to attack Japanese communications lines, damaging or destroying enemy rolling stock and railway installations.

HURLEY

893.711/5-2845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 28, 1945—11 p. m.

[Received May 28—1:25 p. m.]

864. I am informed that Henry J. Taylor, Scripps-Howard newspaper correspondent, yesterday cabled a story on an interview with Generalissimo Chiang Kai-shek to the effect that the Generalissimo decreed [*agreed*] to a news policy which included, among other items, a statement to the effect that the Chinese Government would pass all military news passed by General Wedemeyer and all political news passed by the American Embassy. I, of course, do not dispute the fact that the Generalissimo may have made a statement to that effect. It is true that General Wedemeyer already [has] exercised censorship of military matters. It is true also that I am opposed to censorship except on grounds of military necessity. I am an advocate of a free press and have lately suggested that censorship in China be relaxed and more news be permitted to flow to the world in general and the United States in particular. I do not believe that Taylor's story infers that I accepted the role of censor for the Chinese Government. There is a possibility, however, that such an interpretation may be placed on Taylor's story. I wish the State Department to be advised that the American Embassy did not at any time accept or agree to exercise censorship under any circumstances. It would be absurd for the American Ambassador or the American Embassy to attempt to exercise the function of censorship for the Government of another nation. I am sending this telegram only that the State Department may know my views and the attitude of the Embassy if the subject becomes an issue.

HURLEY

740.00119 P.W./5-2945

*Memorandum by the Acting Chairman of the State-War-Navy Coordinating Committee, to the Secretary of State*

WASHINGTON, 29 May 1945.

On 28 May 1945 the State-War-Navy Coordinating Committee concluded that the political policy of the United States with respect to China is as set forth in the enclosure.<sup>46</sup> The Committee also approved the following conclusions as to post-war military policies with respect to China:

*a.* No commitment looking toward the implementation of a military policy of assisting the Chinese Government to create and maintain

<sup>46</sup> Department of State Paper dated 3 April 1945, p. 74.

a modern post-war army and air force should be made until the interested Departments of the United States Government have been consulted and have expressed opinion that certain necessary political and economic conditions have been fulfilled by the Chinese Government.

b. Any question arising relative to United States assistance in the establishment and maintenance of post-war military establishments in a foreign country should be resolved not only in the light of the United States policy vis-à-vis that particular country, but also in the light of United States policy relative to the regulation of armaments in the post-war era as indicated by its support of the Dumbarton Oaks Proposals. This government's conception of what armament any nation seeking assistance from the United States will need should be measured in terms of and should be limited to:

- (1) That nation's commitment to place contingents of armed force at the disposal of the International Organization, and,
- (2) The requirements for the maintenance of internal law and order.

c. No legislative authority presently exists pursuant to which arms, ammunition and implements of war may be transferred to a foreign government, except for compensatory payment or transfer of other property, when such arms, ammunition and implements of war are to be used by the foreign government solely to augment its post-war military establishment.

The Joint Chiefs of Staff have advised the Committee that they perceive no objection to these conclusions from the military point of view.

For the State-War-Navy Coordinating Committee:

H. FREEMAN MATTHEWS

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893.711/5-2845 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 30, 1945—7 p. m.

819. Department concurs in your views (ReEmbs 864, May 28, 11 p. m.) that it would be inappropriate for the Embassy to exercise censorship of political news emanating from China.

GREW

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740.0011 P.W./6-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 6, 1945—2 p. m.

[Received June 6—12:19 p. m.]

939. Following is summary of M[ilitary] A[ttaché's] report for week ending June 2:

Large scale enemy troop movements continued throughout China, especially in southern Kwangsi, following their abandonment of

Wuning and Hochih, they gave up Pinyang and Nanning. Some elements formerly established in that area withdrew to Indochina and others up the Kwangsi-Hunan corridor via Liuchow and Kweilin. The Japanese withdrawal for this area is quite significant as it seems to indicate their intentions with respect to the defense of their positions in China and Southwest Asia. Surrendering their Indochina-Kwangsi border area means surrendering an uninterrupted line of land communications from outposts in Southeast Asia to northern China. This may be interpreted as a Japanese decision to (1) abandon their forces throughout the Southeast Pacific, leaving them to fight delaying actions whenever possible, and (2) engage in a policy of strategic contraction of their forces in China and concentration in more important areas in preparation against possible Allied action against the Continent. Some of the enemy forces retiring from southern Kwangsi will presumably concentrate in northern Indochina, others in the Canton Delta and yet others in North China. Reports from elsewhere in China indicate a similar trend, particularly in Chekiang and Kiangsu. Japanese columns which recently moved into southern Chekiang are withdrawing for concentration in the Hangchow-Shanghai area.

Fighting which has been taking place in Hunan and Honan has practically ceased.

CACW and 14th Air Force continued their operations in support of Chinese ground forces. Strategically their effort was largely concentrated on the Yangtze River Valley. 14th Air Force operations developed their tendency to engage more in strategic than tactical operations. As indicated in recent operations around Chihkiang, Allied air effort will play a decisive part in this war theater, rendering successful air coordination with ground forces as well as controlling the skies. During May the 14th Air Force flew some 1900 sorties from the Chihkiang air base, which had a tremendous effect in forcing the Japanese withdrawal.

Clashes between Chungking and Communist forces have recently been reported in Central China and along the coast. These clashes, as yet unsupported by factual intelligence, appear to have followed previous patterns where Communists have occupied areas abandoned by the enemy. Communists have also been consolidating their positions and expanding their spheres of influence along the coast where clashes with puppet troops have been precipitated.

HURLEY



740.0011 P.W./6-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>47</sup>

CHUNGKING, June 7, 1945.  
[Received June 7—2 p. m.]

945. Following is text of statement made by General Chen Cheng, Minister of War, at foreign press conference on June 6:

"Today I wish to give a few outstanding facts concerning the work of my Ministry.

(1) The close cooperation between my Ministry and the American military headquarters in Chungking has been such as to be able to meet all the requirements for the prosecution of the war and to the satisfaction of both sides.

(2) I am glad to be able to inform you that the reform measures concerning both equipment and treatment of our armed forces which were decided at the time of my assumption of office have been carried out according to schedule. There is, of course, still a great deal to be done.

(3) The recent battle in western Hunan gives us some evidence as to what our troops with better equipment and better treatment can do.

(4) Now that there is a daily increase of American military supplies to China, I wish to use this opportunity to assure our Allies emphatically that every gun and every bullet from the American Lend-Lease have been and will be allocated only to those forces which are assigned to undertake the fight against Japan in our counter-offensives, and they have not been and will not be diverted to any other use. Of course, if any Central Government troops should be attacked by any unfriendly forces, it would be impossible to expect them not to defend themselves with whatever weapons they may have.

(5) As to your inquiry where local clashes have taken place between Government troops and Communist forces, I deplore that there have been isolated cases of attack on the Government troops during the last few months—in fact, I may say, within the last few years. I do hope that such regrettable incidents will not recur.

(6) In regard to your inquiry about the degree of the contracting of the enemy's line in China, my opinion is that this would depend upon the pressure which the Chinese and Allied forces as a whole could bring to bear upon the enemy, who is now concentrating his defense upon points rather than holding lines. I can assure you that the pressure which the Chinese forces are going to exert against the enemy will daily increase."

HURLEY

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<sup>47</sup> Extracts transmitted by the Secretary of State to the Ambassador in the Soviet Union (Harriman) in telegram No. 1331, June 17, not printed.

851G.00/6-745 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 7, 1945—7 p. m.

873. The President thanks you for your considered telegram <sup>48</sup> in regard to the problems presented by the re-establishment of French control in Indo-China and the British desire to reoccupy Hong Kong and fully appreciates the difficulties in which you and General Wedemeyer may be placed on account of the lack of specific directives in respect to both of these problems which have been under careful study both here and in connection with the discussions at San Francisco.

[Here follow three paragraphs relating to Indochina.]

With regard to the British desire to resume control of Hongkong the President is fully aware of the importance which the Chinese Government attaches to the return of this port to its control and considers that arrangements should be made between the British and Chinese Governments with whatever help we can give at the proper time to conclude a mutually satisfactory settlement which does not prejudice either the legitimate aspirations of the Chinese people or the particular strategic requirements of the present war against Japan.

The President is glad to have your assurances in regard to the instructions which the British and Russian Ambassadors <sup>49</sup> have received to support the unification of all armed forces of China under the National Government and to endorse the aspirations of the Chinese people and support their efforts to achieve a free, united China.

He hopes that you will continue to keep us fully informed, about the various aspects of the problems you mention.

GREW

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740.0011 P.W./6-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 9, 1945—1 p. m.

[Received June 9—9:15 a. m.]

957. Following is summary of M[ilitary] A[ttaché]'s report for week ending June 9:

During the week the Japanese continued their withdrawal from South China; they have now abandoned most of their positions south of Liuchow. Chinese intelligence reports that the Japanese are planning to withdraw from Liuchow which has been set on fire. Enemy troops in large number were reported moving northward along the Kwangsi-Hunan border apparently for East and North China. The

<sup>48</sup> Not found in Department files.

<sup>49</sup> A. A. Petrov was the Soviet Ambassador.

3d and 13th, and possibly other Divisions as well, are participating in this movement. Headquarters of the Twentieth Army, formerly at Hengyang, and of the Eleventh Army, formerly at Liuchow, were also said to be leaving, indicating the considerable extent of Japanese withdrawal. In the Canton area, no changes were reported, but further north the enemy was reported to be improving the Canton-Hankow Railway. They would seem to substantiate rumors that the Japanese will attempt to retain this communication line. The Honan front remained quiet and there were no new developments in North China.

Reports of Kuomintang-Communist friction have subsided. It is generally believed that unrest has existed in certain areas but that there have been no major engagements.

The Hunan campaign having ended, operations of the 14th Air Force decreased in number although not in range. Principal targets were lines of communication and rolling stock and locomotives were attacked with excellent results.

HURLEY

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740.0011 P.W./6-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 16, 1945—1 p. m.

[Received 9:15 p. m.]

997. Following is summary of M[ilitary] A[ttaché]'s report for week ending June 16:

Nominal activity was reported during week. Enemy withdrawal continued and grouping in Shanghai-Hangchow area was increased and assumed more definite pattern. According to Chinese intelligence, enemy troops in this area comprised 1 armored division, 2 independent brigades and 7 infantry divisions. In eastern Honan enemy registered small gains west of Hsihsiakou. In Paoching area, Japanese position remained virtually unchanged. There was no contact with opposing forces. Main enemy strength seemed to be located between Paoching and Hengyang. In Kwangsi-Hunan area, enemy withdrawal northward continued; lines of communication and important installations were being destroyed, and puppet troops were left behind as holding forces. Ineffectiveness of puppets is well known, however, and such action amounts to indirect abandonment. For the second time Ishan was evacuated by the enemy and reoccupied by Chinese forces. Japanese forces continued to withdraw from Ningpo-Wenchow area. In Kwangtung, Japanese troops in several columns totaling about 25,000 moved northward toward Kiangsi fron-

tier and occupied several large towns. As indicative of strategic importance of Canton area in enemy defense system, recent reports show that there are about 135,000 enemy troops concentrated in Kwangtung; it may be assumed that all necessary steps will be taken to strengthen their position there. General Yu Han-mou's 7th War Zone headquarters is located at Lungnan, on the path of the enemy approach. Should his forces be routed, that would remove potential Chinese threat; it would also gain for the enemy direct control of communications between Swatow and north Kwangtung and place at their disposal the rice crop of the region.

According to most recent Central Govt report, an estimated 4 to 7 thousand Communist troops entered first war zone east of Loyang on May 26-7 and advanced about 65 miles southwest in two columns. The Communist-Central Govt situation seemed to continue to be mostly a battle of words with each contestant attempting to place on the other responsibility for clashes.

HURLEY

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127.62/6-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 20, 1945.

[Received June 20—8:17 a. m.]

1016. General Wedemeyer and I issued the following joint statement to the press yesterday.

“Reports of dissension between ourselves or members of our staffs, either personally or officially, are untrue. There have been differences of opinion; however, they have always been resolved promptly and amicably. The diplomatic and military representatives of the United States in China are working together harmoniously and will continue to do so.”

HURLEY

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740.0011 P.W./6-2645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 26, 1945—3 p. m.

992. Dept informed that Chinese troops attacked Thai troops near Mong Yawng; that Thai withdrew but fear to withdraw further lest arouse Jap suspicions; that Thai have requested SACSEA<sup>50</sup> to ask for Chinese withdrawal; and that US authorities in China have been informed by OSS. Brit and ourselves urged RUTH<sup>51</sup> not to precipi-

<sup>50</sup> Supreme Allied Commander, Southeast Asia (Mountbatten).

<sup>51</sup> Code name for the Thai Regent, Pridi Panomyong, head of the Thai underground movement said to have been organized to resist the Japanese and to oppose the Thai Government under Premier Pibul.

tate Jap action against Thai Govt and to delay overt resistance until coordinated with SEAC<sup>52</sup> plans.

Chinese attacks uncoordinated with SEAC plans might precipitate situation prematurely or else provoke Sino-Thai hostilities. Suggest you discuss with General Wedemeyer the situation, especially its political implications, and keep Dept informed.

Sent to Chungking. Repeated to London and New Delhi.

GREW

S93.00/6-2845

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent) to the Under Secretary of State (Grew)*

[WASHINGTON,] June 28, 1945.

Chiang's "outburst" to the press this morning (UP report attached) is difficult to explain. With regard to economic support, tonnage "over the Hump" has trebled in the last year, we have instigated the establishment of a Chinese WPB, we seem to have sent out experts by the dozen, T. V. Soong only recently obtained our agreement to supply China with \$200,000,000 in gold bullion, and we are literally scraping the bucket to get the trucks and textiles Soong asked for.

With regard to military support General Wedemeyer is now training and equipping close to forty divisions which should constitute soon the first Chinese army with an offensive potential that has existed in China since 1937.

Chiang refers to the necessity for landing on the China coast. This is strictly a matter of military strategy. However, his comment, I believe, gives one clue with regard to his motive in making a press statement. It is probable that T. V. Soong has reported to him his suspicions that there will be no China coast landings, at least for some time. Chiang had counted on such landings not only to bolster up his military position but also as a means of opening up new avenues for bringing economic aid to China. Hence his "outburst" may derive from disappointment, if my deduction is correct.

J[OHN] C[ARTER] V[INCENT]

[Annex]

CHUNGKING—Generalissimo Chiang Kai-shek in his first press conference since 1941, said the U. S. was not giving China enough economic help.

<sup>52</sup> South-East Asia Command.

Chiang also said that a Chinese soldier, given training and equipment, can fight as well as any three soldiers from abroad, and that if it took foreign soldiers two years to defeat Japan, Chinese troops could do it in one year.

The Generalissimo complained that the U. S. had not paid enough attention to China's economic difficulties. He said that he enjoyed the military and diplomatic cooperation of Lt. Gen. Wedemeyer, American commander in China, but he urged that more American economic experts be sent to China.

The United States is giving us assistance, equipment and training as to troops, said Chiang, but not adequate attention to our economic difficulties, and not adequate assistance to relieve them. If the economic situation is not improved, it will be difficult to make full use of the military equipment.

Speaking of cooperation shown by American Ambassador Hurley and Wedemeyer, Chiang said:

"It is the first time in entire Chinese-American history that action and cooperation have been so satisfactory."

The Generalissimo urged that the Allies make greater use of Chinese forces. He pointed out it was more economical to train and equip Chinese troops to fight the Japanese on the China mainland than to send troops here from abroad.

Asked what he thought about Japan's collapse, Chiang said, "It would be difficult to bring about the unconditional surrender of Japan, therefore the war can end only with the total defeat of Japan.[""]

Chiang said he believed a landing on the China Coast would be necessary even if there was a landing on the Japanese mainland. He said the 800,000 Chinese puppet troops fighting under the Japanese might join the Allies in the event of a China invasion.

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893.001 Chiang Kai Shek/6-2845 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 28, 1945—7 p. m.

1010. We would appreciate receiving as soon as practicable interpretative comment<sup>53</sup> on Chiang's press interview of June 28th.<sup>54</sup>

GREW

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740.0011 P.W./5-2545 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 30, 1945—1 p. m.

1016. Concerning proposed establishment safety zone Shanghai (Deptel 585 April 16) Dept informing Swiss and Swedish missions

<sup>53</sup> Not found in Department files.

<sup>54</sup> *Supra.*

here<sup>55</sup> that proposal has been considered by U S military authorities and suggestion is one to which U S govt cannot accede.

GREW

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740.0011 P.W./6-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 30, 1945—2 p. m.

[Received June 30—12: 20 p. m.]

1080. M[ilitary] A[ttaché's] summary for week ending June 30 follows:

Enemy operations during week were concentrated in East and South China. Military activity in Kwangtung spread northward into Kiangsi. Withdrawal of troops from Kwangsi-Hunan area into East and North China continued. There was further readjustment of enemy positions along the coast.

Relatively little change was reported in North China. Some localized enemy troop movements occurred in Shansi, notably near Fenyang. The West Honan front was quiet. Japs were reported to be strengthening communication lines in North Kiangsu and Shantung, chiefly near important communications center of Hsuchow. Several thousand enemy troops evacuating Wenchow area were moving across North Chekiang toward Ningpo. Reported Jap destruction of Quemoy Island airfield may indicate beginning of withdrawal from Amoy area. Jap withdrawal from Kwangsi-Hunan corridor continued, river boats were being concentrated at key points and some 20-30,000 troops were being moved from Kwangtung northward through Lungnan into forward areas in Kiangsi. There was a marked decrease in telegraphic communication between Jap headquarters at Hankow, Hengyang and Canton. These activities seemed to indicate possible withdrawal or move into Poyang Lake-Nanchang area via Kan River Valley. This would be a shorter route between Canton and lower Yangtze than that via Hengyang and Hankow.

Allied air operations were more active than during the 3 previous weeks, but still had not reached a high level. Troop concentrations, supply installations and river traffic in South and Central China were attacked; north of the Yellow River principal targets were railway lines. Two ineffectual attempts to intercept B-24's of the Far Eastern Air Force at Canton comprised the only Jap air activity.

HURLEY

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<sup>55</sup>By memoranda to the Swedish and Swiss Legations, dated June 30, not printed.

740.0011 P.W./7-345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 3, 1945—5 p. m.

[Received July 3—11:35 a. m.]

1096. Department's telegram 992, June 20 [26], 3 p. m. This telegram sent to the Department and repeated to London and New Delhi.

Regarding the Chinese troops which were reported to have crossed the Thai border near Mong Yawng. The Deputy Chief of Staff, U. S. Army Forces, China Theater,<sup>56</sup> states that General Wedemeyer will request the Generalissimo to have these Chinese troops withdrawn.

The only information in the premises received by headquarters is the OSS report referred to in the Department's telegram.

HURLEY

893.014/7-445

*Memorandum by Mr. Eugene H. Dooman, Special Assistant to the Assistant Secretary of State (Dunn), to the Director of the Office of Far Eastern Affairs (Ballantine)*

[WASHINGTON,] July 4, 1945.

With reference to Mr. Grew's memoranda of May 14, 1945 summarizing a conversation between the President and T. V. Soong, it will be recalled that there was brief mention made of the retrocession to China of Chinese areas taken by Japan.

I have ascertained from Mr. Grew that nothing in the relevant portion of his memoranda should be construed as an acceptance by the President of any new commitment. The statement of the President with regard to Manchuria and Formosa should be read as a reaffirmation—and nothing more—of our intention to carry out the terms of the Cairo Declaration.<sup>57</sup>

E. H. DOOMAN

893.458/7-545 : Telegram

*President Truman to President Chiang Kai-shek*

WASHINGTON, July 5, 1945.

On this day marking the eighth anniversary<sup>58</sup> of your country's heroic stand against the Japanese aggressor, I desire, on behalf of the people of the United States, to reaffirm to the Chinese people our deep

<sup>56</sup> Maj. Gen. H. H. Fuller.<sup>57</sup> See White House press release of December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393, and *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448.<sup>58</sup> July 7.



friendship and our admiration of the valiant struggle which China has waged in the cause of freedom and justice through these long years of untold suffering and sacrifice.

In expressing these sentiments, we are happy that the clouds which in previous years have darkened this anniversary for the gallant Chinese people are at last lifting. The Nazi aggressor has been utterly defeated and the full weight of Allied might is gathering momentum to be hurled against the Japanese. The task of crushing Japanese militarism is in its final phase, and in the task of building an enduring peace, the first step has been successfully accomplished at San Francisco.

With respect and affection, we salute the Chinese nation—our long-tested friend, our comrade in battle, and our valued associate in the great work that lies ahead.

HARRY S. TRUMAN

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893.458/7-545 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, July 5, 1945.

1040. Please communicate to FonOff following message from me to Dr. T. V. Soong:

“Today<sup>59</sup> it is eight full years since your country made its momentous decision to resist Japanese aggression. On this occasion it is a privilege for me to join with other Americans in doing honor to the unconquerable spirit that has inspired the Chinese people to carry on so bravely despite long trials and grievous sacrifices.

The rapid progress of the present Allied drives against the Japanese and the solid achievements of the San Francisco Conference give ground for high hopes that, through our continuing determined and concerted efforts, we may not only accomplish the relatively early defeat of the last of the Axis aggressors, but also provide effective assurance that such aggressors can not rise again to scourge mankind.”

BYRNES

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740.0011 P.W./7-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 6, 1945.

[Received July 6—1:45 p. m.]

1118. I have issued the following statement for release morning papers July 7, Chungking.

“As the Chinese people enter upon their ninth year of war heroic resistance against the invasion of their country, under the indomitable

<sup>59</sup> July 7.

leadership of Generalissimo Chiang Kai-shek, the Chinese have led in the war against aggression. China was the first to take the field to fight for the cause that eventually became our own. The Chinese have continued the battle under the utmost adversities.

China's example is an inspiration to all liberty loving nations. We now gird ourselves for the final offensives that will crush our last remaining foe and establish freedom and peace."

HURLEY

740.0011 PW/7-645

*The Second Secretary of Embassy in China (Rice)  
to the Ambassador in China (Hurley)* <sup>60</sup>

No. 233

SIAN, July 6, 1945.

SIR: I have the honor to refer to my despatches no. 85, December 12 [13], 1944 and no. 138, March 1, 1945 <sup>61</sup> in regard to puppet forces, as well as to my despatch no. 157, March 29, 1945, <sup>62</sup> "Chinese Military Dispositions in the First and Fifth War Zones" and to report as follows in regard to the establishment of two new military areas designated the Eleventh and Twelfth War Zones. This information has reached me through semi-official channels and is stated to have been derived from preliminary and incomplete instructions received at Sian. Although it probably is for the most part correct, it doubtless contains inaccuracies.

*Summary:* Two new war zones are being created in north China and Inner Mongolia: (1) the Eleventh War Zone, including most of western Honan, Shantung, Hopeh and possibly part of northernmost Hupeh and commanded by General Sun Lien-chung; and, (2) the Twelfth War Zone, comprising Suiyuan and the Yülin area of the northernmost part of Shensi, under General Fu Tso-yi. The creation of these new war zones cuts their commanders loose from the control of superiors who are preoccupied with the problems of rear areas and frees them for attention to the problems of regaining for the Central Government areas of North China and Inner Mongolia now occupied by the Japanese and the Communists. (*End of Summary*).

[Here follows detailed report.]

General Sun Lien-chung, in charge of the Eleventh War Zone, should prove a good choice for the task of seeking the adherence to the Chungking Government, at the proper time, of the puppet commanders in north China. It is my understanding that almost all the principal puppet generals in that area are acquainted with him and that many of them served with him under General Feng Yü-hsiang.

<sup>60</sup> Copy transmitted to the Department by the Ambassador in China without covering despatch on July 27; received August 8.

<sup>61</sup> Neither printed.

<sup>62</sup> Not printed, but see memorandum of April 3, by the Assistant Chief of the Division of Chinese Affairs, p. 79.

(Among these reputed former subordinates of General Feng are General Sun Liang-ch'eng, Commander-in-Chief of the Second District Army, stationed in southern Hopeh and northern Honan; General Wu Hua-wen, Commander-in-Chief of the Third District Army, stationed in Shantung; General Ho P'eng-chü, Commander-in-Chief of the Fourth District Army, stationed in northern Kiangsu; General Pang Ping-hsün, Commander-in-Chief of the Fifth District Army, stationed in northern Honan; and, General Chang Lan-feng, Commander-in-Chief of the Second Group Army, stationed on both sides of the Lunghai Railway east of Chenghsien, Honan.[ ])

General Fu Tso-yi, before he left Chungking at the conclusion of this spring's Sixth Kuomintang Congress, is quite reliably reported to have been told by Chiang K'ai-shek that his forces would be ordered to reoccupy the Peking-Tientsin area as part of the expected counter-offensive in north China and that later they were to press northward from there into Manchuria. The forces at present under General Fu Tso-yi are not very large, but they are reported by an informed and probably reliable subordinate of General Fu to be in excellent condition.

Respectfully yours,

EDWARD E. RICE

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740.0011 P.W./7-945 : Telegram

*President Chiang Kai-shek to President Truman*<sup>63</sup>

CHUNGKING, July 7, 1945.

THE PRESIDENT: In the name of the Chinese Government and people, I thank Your Excellency most sincerely for the cordial message you sent me on the occasion of the eighth anniversary of our war of resistance against Japan. Looking back over the long years of our struggle, we feel extremely grateful to the Government and people of the United States for the generous sympathy and assistance they have extended to China. We honor the brave men of your armed forces who have helped to liberate Europe from Nazi tyranny and whose unsurpassed heroism will again be one of the most important factors in the achievement of our common victory over Japan. On this solemn occasion when the Chinese people rededicate themselves to the sacred cause of freedom and justice, we wish to reaffirm to our American allies our warm friendship as well as our determination to play our part in the realization of those noble ideals which have been written into the United Nations Charter signed at San Francisco.

CHIANG KAI-SHEK

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<sup>63</sup> Copy transmitted to the Chief of Protocol by the White House Executive Clerk on July 9.

740.0011 P.W./7-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 9, 1945—2 p. m.

[Received July 9—noon.]

1132. M[ilitary] A[ttaché's] summary for period July 1 to 7 follows:

Medium scale enemy troop movements in North China continued, chiefly in Western Honan and Shansi. Activity in the coastal area went on as previously reported, and Amoy, yet another Japanese secondary coastal base, was being evacuated. The Northern Kwangsi situation developed rapidly. Enemy troops having effected a concentration there, it seemed likely that there would be a movement northward in the near future. The abandonment of Liuchow signalled the further evacuation of Kwangsi.

In North China, Jap troop movements took place both north and south of the Yellow River. In Central and South Shansi the enemy abandoned more of their outlying positions, and consolidated their forces along communication lines. In West Honan enemy activity consisted for the most part of limited counterattacks near Hsihsiakow. About 18,000 enemy troops were reported to be stationed between Nanyang and Hsihsiakow, representing a substantial increase in strength. However, this force is not sufficient for westward offensive operations and no threat to Sian is envisaged from this area at present.

There was no change in the situation in the Shanghai area. The movement of enemy troops which has withdrawn from Wenchow continued across north Chekiang toward the Hangchow-Ningpo area. However, a force of 400 Japanese remained on Yuhuanahuan Island east of Wenchow. On July 2 and 3 the Japs evacuated Amoy and proceeding partly by sea and partly overland they passed through Swatow and then westward along the coast of Kwangtung. According to Chinese intelligence, this movement involved about 1,000 men; whether this is a complete evacuation remains to be determined.

The northward movement through the Kwangsi-Hunan corridor continues.

Twenty thousand troops are said to be leaving the Hengyang area, presumably for the Yangtze. Enemy troops from Liuchow were proceeding toward Kweilin. The Japs apparently have completed the transfer of their forces from the Canton area to southern Kiangsi and several towns through which they passed have been reoccupied by the Chinese. Most of these forces, including the 27th Division and elements of several others, about 3,000 in number, seemed to be concentrated in the Kukong-Kanhsien salient. According to Chinese sources, there is underway a concentration of supply laden river boats

possibly for use in operations northward along the Kan River which this season of the year is navigable. Japs in the Nanchang area are said to be commandeering many buildings for use by their troops should they move there from the south. Chinese troops are moving out of Suichwan, 60 miles north of Kanhsien, apparently in anticipation of a Jap move down the Kan River. As yet, however, no such move has been reported. The 14th Air Force flew 561 sorties (64 medium bomber and 497 fighter) during the week. Two hundred and four of these were in North China and were mostly against railways. Two hundred and forty-seven were flown in Central China in support of ground troops and against road and river communication lines. There were 92 sorties in South China and 18 in Indochina, principal targets being lines of communication.

HURLEY

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740.0011 P.W./7-1045 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, July 10, 1945.

[Received July 10—6:45 a. m.]

2488. Moscow press for July 8 carries 3-inch Tass despatch from Vladivostok entitled "Japanese Press on Interview of Ho Ying-chin" reading in translation as follows:

Japanese press is broadly publicizing interview advantageous to Japanese of Chief of General Staff of Chinese Army Ho Ying-chin in Kunming on June 27 in which he said that until Americans land on Chinese continent Chungking troops would not be able to expel Japanese occupation forces from China. Ho Ying-chin affirmed that even with help of Americans much time would be required for driving Japanese out of China, for even if communications between China and Japan are cut Japanese will still be in position to continue their military operations on continent, relying on military resources of Manchukuo.

Sent Dept.; repeated Chungking as 56.

[HARRIMAN]

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893.9111 R.R./7-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 11, 1945.

[Received July 11—4:15 p. m.]

1143. Following report appeared in *Central Daily News*, Chungking, July 9:

"After the war Japan should be completely disarmed, Chinese territories occupied by Japan should be completely restored to China,

and Japan should fully and substantially compensate China for her war losses, declared Dr. K. C. Wu, Vice-Minister of Foreign Affairs, at the general meeting of the first plenary session of the Fourth People's Political Council this morning.

Revealing China foreign policy in the future, the Vice-Minister of Foreign Affairs said that China will cooperate more closely with her Allies in bringing about the unconditional surrender of Japan at an earlier date, that China will intensify her diplomatic relations with the United States, Britain, Russia and France, and that China will fully support the United Nations Charter in the hope that the Charter will become a perfect international constitution through gradual revision. Comparing the United Nations Charter with the old League Covenant, Dr. Wu pointed out that the Charter is better than the Covenant for the following reasons: Firstly, the Charter contains more detailed definitions and provisions than the Covenant; secondly, the Charter is of a more positive nature; thirdly, the United Nations Peace Organization is authorized to take quicker and more effective actions than the old League of Nations; fourthly, the power of the new world organization is more centralized and fifthly, the various setups of the United Nations are better organized than those of the old League. The Chinese Government has paid particular attention to the problems confronting overseas Chinese, Dr. Wu said. In signing new treaties with other nations, he pointed out, the Government always takes into consideration the rights and welfare of overseas Chinese living in the countries concerned and has negotiated with various other countries for abolition of those laws which provide for discriminatory treatment of overseas Chinese.

Regarding the repatriation of overseas Chinese to their overseas homes after their liberation, Dr. Wu stated, the Chinese Government has taken, and will take, the following measures: Firstly, to assign diplomatic personnel to travel with Allied Forces and set up Consulates as soon as the district or districts are liberated; secondly, to request the governments concerned to give overseas Chinese the same facilities accorded to them in prewar days; thirdly, to request the governments concerned to provide overseas Chinese with transportation facilities; fourthly, to request the governments concerned to give overseas Chinese the same relief as will be given to the natives living there; and fifthly, the execution of overseas Chinese traitors by Allied authorities should be carried out as far as possible in accordance with the suggestions of the Chinese Government.

Dr. Wu adds that Japan's organizations for the invasion of China and other territories and those educational institutions which have been imparting the idea of militarism into the minds of the younger generation should be dissolved after the war, and that Japanese war

criminals should be handed over to China according to the Black List prepared by China.

Reviewing China's foreign relations with other nations, the Vice-Minister of Foreign Affairs said that with the conclusion of the new treaty with Holland on May 29 this year,<sup>64</sup> the abrogation of unequal treaties between China and other nations is nearing its final stage.

Germany and Austria, he said, were the first countries to lose their extraterritorial rights in China, because in 1917 China declared war on them which, according to international law, put an end to all their special rights in China. The signing of a new treaty with Russia in 1924<sup>65</sup> terminated Russia's extraterritorial rights in China.

On January 11, 1943, new treaties were concluded with the United States<sup>66</sup> and Britain,<sup>67</sup> and these treaties provide for the relinquishment by these two countries of the extraterritorial rights and special privileges they hitherto exercised in China. Sweden signed a new treaty with China on April 5, 1943 [1945]<sup>68</sup> with the abrogation of unequal treaties with China.

The unequal treaties with Italy and Japan were abrogated according to international law after China had declared war on them, Dr. Wu explained. After Denmark had recognized the puppet régimes in Nanking and the 4 Northeastern Provinces, China severed her diplomatic relations with Denmark. At present, he added, the Chinese Government is considering resuming diplomatic relations with her.

On February 22, 1943, Dr. Wu continued, the Vichy Government allowed Japanese armed forces to land at Kwangchowwan and in May of the same year transferred the French concessions in Tientsin, Hankow and Canton to the Japanese. The Chinese Government, therefore, sent a memorandum to the Vichy Government, declaring the abolition of her unequal treaties with China. The newly-established French Government has proposed to conclude a new treaty with China, but China is still considering this problem, he said.

Switzerland and Portugal have not yet relinquished their extraterritorial rights in China, but steps are being taken for abrogating their unequal treaties with China. After the abolition of unequal treaties between China and these two nations, Dr. Wu concluded, China will be free from the fetters of unequal treaties.

The P. P. C. members unanimously proposed at this morning's meeting that China and Russia should cooperate more closely and that

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<sup>64</sup> *British and Foreign State Papers*, vol. cXLV, p. 1082.

<sup>65</sup> *League of Nations Treaty Series*, vol. xxxvii, p. 175.

<sup>66</sup> *Department of State Treaty Series No. 984*, or 57 Stat. 767.

<sup>67</sup> *British and Foreign State Papers*, vol. cXLV, p. 129.

<sup>68</sup> *Ibid.*, p. 1088.

Russo-Chinese relations should be further cemented. They also advocated that the Chinese Government should fully protect overseas Chinese and that overseas Chinese should be treated on an equal basis with other nationals by the governments in which they live."

HURLEY

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740.0011 P.W./7-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 14, 1945—8 a. m.

[Received July 14—7:37 a. m.]

1162. General Wedemeyer informs me that insofar as he has been able to determine there are no regular Chinese troops operating in Thailand (Department's telegram 992, June 26, 3 p. m. and Embassy's 1096, July 3, 5 p. m.). The 93rd Chinese Division is located near the border but the Generalissimo gave explicit orders in May to the Chinese commander that there must be no incidents or unauthorized forays and no military operations other than those required to defend China from the Japanese.

Wedemeyer states further that through General de Wiart<sup>69</sup> the British had protested alleged Chinese operations in the area and had asked Wedemeyer to prevail upon the Generalissimo to withdraw the 93rd Division from the area even though this Division was located on Chinese soil. The Generalissimo assured General Wedemeyer that the Chinese would not act against the Thais or the British but that he would definitely not withdraw his forces and felt authorized at any time to conduct operations in Thailand against the Japanese.

At a subsequent discussion of the matter the Generalissimo reiterated to Wedemeyer that Thailand is in the China theater and that he will not agree with the British or Americans that he cannot operate his troops in that area at any time, although he would see to it that such operations were conducted only against the Japanese. Wedemeyer also states that in all of his discussions with the Generalissimo the latter has pointed out that French Indochina and Thailand are in the China theater and that he is the recognized Allied commander of all forces employed in those areas. Finally the Generalissimo declares that China has no territorial ambitions in either Thailand or French Indochina. (I may add that on numerous occasions he has made the same statement to me.)

HURLEY

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<sup>69</sup> Lieut. Gen. Sir Adrian Carton de Wiart, Representative of British Prime Minister Churchill and of Adm. Lord Louis Mountbatten with Generalissimo Chiang Kai-shek.



893.00/7-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 14, 1945—9 a. m.

[Received July 14—6:35 a. m.]

1163. During a conversation with Counselor Smyth a member of the staff of the British Embassy expressed concern over the statements regarding overseas Chinese contained in Vice Minister Wu's report on foreign affairs to the People's Political Council on July 9 (Embassy's 1143, July 11). He referred to the large Chinese populations in Burma and Malaya, and appeared to feel that efforts by a "chauvinistic Chinese government" to exercise control over persons of Chinese race residing in Burma and Malaya might cause considerable difficulties. (1944 *China Year Book* claims approximately 8,170,000 overseas Chinese in Asia in 1942, of whom some 193,000 are in Burma—out of population of 15 to 16,000,000; about 2,360,000 in British Malaya—out of population of 5 to 6 million; and 923,000 in Hong Kong.)

He mentioned the promptness with which the United States Government had allowed the British Consulate to reopen in Manila and said that they would like to reciprocate in the case of Rangoon. However, the delay in authorizing the reopening of our Consulate [at] Rangoon was influenced by the fact that the Chinese also wished to reopen their Consulate there, and the British were reluctant to acquiesce because of "certain problems" which had arisen.

HURLEY

893.50/7-1445

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs*

[WASHINGTON,] July 14, 1945.

Attached is an interesting article published in the *Baltimore Sun*, July 13, 1945,<sup>70</sup> by its competent reporter Mark S. Watson, who has recently been in China and who has contributed a series of noteworthy articles to that newspaper on conditions in China.

[Here follows report on article cited.]

Comment: There is little or no question but that the Generalissimo realizes that the United States is straining every resource at its command to supply China's war and other needs over the "hump". If that is so, he can scarcely voice any complaint on that score. What, then, is the real source of his dissatisfaction and his call for more economic aid?

<sup>70</sup> Not reprinted.

The logical response is that he must be calling in rather oblique terms for the landing of American materials on the East China Coast, a section of which (the area lying between Ningpo and Amoy) is now free of the Japanese. It is probable that the Generalissimo is restive over American failure to land and build up supply bases on the coast. Continued American inaction in this respect is likely, unless explained to the Generalissimo, to become a sore point with him and may even bring apprehension as to American motives.

Although it might be argued that the coastal area now open to American landings is inaccessible and of little value in granting Chiang the assistance he desires, it might equally be argued that it is no more remote and difficult from the point of view of communications than the route over the "hump". Indeed, landings on the lower China coast would enable American forces to link up with Chiang's forces in the Third War Zone (Chekiang, Fukien and Kiangsi), roads could be built, and air fields developed, so that goods could be shipped into the eastern China provinces and flown west into Kwangsi, Kiangsi, and Hunan where large airfields are in the process of being recovered. Moreover, Chinese forces in the Third War Zone, like those in the Yunnan area, could be reconstituted and made the striking force for attack on the Shanghai and other central China enemy positions. It may be pointed out that if American consumer goods were to become available on the China coast, the Chinese might be expected, no matter how difficult transport might be, to devise ways and means of getting them transported to the interior. This has been proved time and again in the transport of goods from the occupied areas of China and Hong Kong to the Chinese hinterland. Also, an American landing on the China coast would lend impetus to Chinese desires to eliminate the Japanese corridor along the Canton-Hankow railway zone.

Important results would also accrue from the psychological point of view. American landings on the China coast would be of value from the military, political and economic points of view. It would be further evidence of the deterioration of the Japanese military position; it would indicate that the United States was determined to assist in forcing the Japanese from China; it would weaken the Japanese hold on the Chinese people and puppet armed forces in occupied China. From the political point of view, it would indicate that the United States was stepping up its assistance to the National Government and helping it in driving the Japanese from East China; it would also tend to check the activities of dissident elements who have been hoping for American assistance without reference to the National Government. From the economic point of view, it would enable the United States to commence, perhaps on a token scale, the landing of consumer commodities which are so sorely needed. It would bolster Chinese

faith in the Chinese Government, perhaps help check the inroads of inflation, and bolster the Chinese economy. Conversely, it might be expected to have a disastrous effect on the Japanese-controlled economy of occupied China, which is already showing signs of collapse.

In the event that the foregoing conclusions are well grounded—and it is believed that they are—it would seem that it is incumbent on the United States Government agencies concerned to consider whether or not it would be advantageous to effect landings on the China coast at an early date, and if it is so ascertained, to take steps to effect such landings. It is believed that they are justified from the political and economic points of view. Whether they are justified from a military point of view would appear to be a matter for the consideration of the United States military and naval authorities.

Addendum:

JULY 15, 1945.

Since preparing the foregoing there has come to hand a clipping from the *Evening Star*, July 14, 1945, purporting to outline General Chennault's views on American landings on the China coast. This clipping is attached.<sup>71</sup>

E[VERETT] F. D[RUMRIGHT]

893.50/7-1445

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*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Under Secretary of State (Grew)*

[WASHINGTON,] July 17, 1945.

At the end of June and again on July 12, 1945, Generalissimo Chiang Kai-shek appealed through the medium of press interviews for added military-economic assistance to China to aid that country in the prosecution of the war.

Knowing that the United States is exerting every effort to send maximum aid to China "over the hump", it must be concluded that the Generalissimo, although he does not say so specifically, is calling for American military-economic assistance by way of the East China coast—a portion of which (that stretch lying between Ningpo and Amoy) would now appear to be open to American landings without appreciable opposition from the enemy.

Recent reports from China indicate that, although the military situation and the status of the Chinese army have improved substantially in recent months, the resulting strain on China's economy has been severely intensified. Commodity prices have more than doubled since the beginning of the year and inflation has reached the "snowball" stage.

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<sup>71</sup> Not reprinted.

Dr. Arthur N. Young, former Economic Adviser in the Department and presently Financial Adviser to the Chinese Ministry of Finance, has recently expressed the view in informal conversation with officers of FE <sup>71a</sup> that American landings on the China coast—even of a token nature—would have very beneficial effects on China from the psychological and economic points of view. In his opinion, even token economic assistance to China by this route would tend to check the present alarming trend toward runaway inflation and at the same time accelerate China's war effort.

You may wish, in your informal discussions with the Secretaries of War and the Navy, to point out the advantages from a political, economic and psychological point of view of early American landings on the China coast, as above outlined.

J[OSEPH] W. B[ALLANTINE]

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740.0011 P.W./7-1845

*Memorandum of Conversation, by the Chief of the Division of Southeast Asian Affairs (Moffat)*

[WASHINGTON,] July 18, 1945.

Participants: Colonel Arthur Hutchinson, OSS;  
 Mr. Donald Gardin, OSS;  
 Mr. Max W. Bishop, Foreign Service Officer;  
 Mr. Kenneth P. Landon, SEA; <sup>72</sup>  
 Mr. Abbot Low Moffat, SEA.

In the course of a conversation Colonel Hutchinson stated that a very strong protest had been sent by OSS to the Generalissimo about Chinese military activities reported in the neighborhood of Mongyawng. I told Colonel Hutchinson the substance of a top secret telegram from Chungking <sup>73</sup> which stated that the British had also protested the reported operations and requested Wedemeyer to ask Chiang Kai-shek to withdraw the 93rd Division from the border region even though it is located entirely in China; that Chiang Kai-shek stated that the Chinese would not act against either the British or the Thai, but that both Thailand and Indochina are in the China theater of which he is the recognized Allied commander, and that he reserves the right to have his troops operate in Thailand at any time, although such operations will be conducted only against Japanese forces.

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<sup>71a</sup> Office of Far Eastern Affairs.

<sup>72</sup> Division of Southeast Asian Affairs.

<sup>73</sup> Telegram No. 1162, July 14, 8 a. m., from the Ambassador in China, p. 134.

740.0011 P.W./7-2145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 21, 1945—2 p. m.

[Received 2:10 p. m.]

1206. Summary of M[ilitary] A[ttaché]'s report for week ending July 21 as follows:

Jap troop movements toward strategic bases in North, Central and South China continued. Considerable coastal activity was reported, especially in Shantung, Kiangsu and Chekiang. Enemy accelerated its withdrawal from Honan, Kwangsi and Kwangtung and Kweilin was almost in hands of Allies.

It was reported that there was increasing withdrawal of Jap troops from Yellow River bend area and that puppet troops were taking their place. There was apparently a large scale reorganization of enemy forces, puppet troops supplementing Japanese cadres. [North?] eastern troop movements continued, especially toward Hopei and Shantung. From Yangtze River area north, Japs were fortifying their positions. They withdrew from more of their holdings in western Chekiang and strengthened their positions in Shanghai-Hangchow bay area. Enemy movement northward in Kwangsi-Hunan corridor was accelerated, with Chinese forces reported near Kweilin. It is anticipated that Kweilin will pass to Allied hands in near future as no substantial Jap forces remain in this area. Yangtze River shipping increased, probably indicating passage of enemy was considerably weakened by recent withdrawal of enemy troops. Only gendarme and navy troops remain, it is said.

During week ending July 18, [apparent omission] 2 bomber and 550 fighter sorties were flown against enemy, mostly against communication lines. About 180 sorties took place in Central China, 200 in North China, and balance in Indochina and South China.

HURLEY

740.0011 P.W./7-2345

*The Consul General at Kunming (Langdon) to the Secretary of State*

No. 227

KUNMING, July 23, 1945.

[Received August 3.]

SIR: I have the honor to enclose translations of two reports<sup>74</sup> appearing in the *Chou Pao*, *The Morning Post* (independent) under date of June 26, 1945, of General Ho Ying-chin's first press conference with Foreign Correspondents.

<sup>74</sup> Neither reprinted.

It will be noted that General Ho remarks rather freely on some subjects still handled with reserve by other Allied representatives, such as the future of the Northeastern Chinese provinces and Formosa, the holding of the Japanese Emperor to be a war criminal, the expressing of hope that the Soviet Union will join in the war against Japan and the allowing to pass of twenty to thirty years before Japan might be regarded as a "neighboring nation".

On the whole, although he uses the phrase "my command" four times in one brief paragraph, and rather emphasizes the fact that all military elements in this theatre are under ultimate Chinese general command, it would appear that General Ho gives credit where credit is due as far as American participation in this theatre is concerned. One particularly optimistic element in his statements is his emphasis on the investigation into prevalent rumors concerning misuse of Lend-Lease supplies, the official result of which was apparently to disprove such rumors, and his description of the way in which distribution of such supplies is now handled, whereby American officers are in supervision at both ends of the line.

Certainly General Ho would appear to feel that all is basically well as to liaison between the Chinese and Americans in this theatre, as he goes so far as to state that "General MacClure and I had practically merged into one". It might be appropriate here to refer to my despatch no. 171 of April 6, 1945, concerning the reorganization of Chinese Armies and relationship between American and Chinese military establishments, and to repeat an interesting opinion recently proffered by a fairly highly placed American officer. This was that since General Ho's assignment as Supreme Commander of the Chinese Armies and concurrent Chief of Staff to the Generalissimo in the latter's capacity as Chairman of the Military Affairs Commission, he has exhibited, in contrast to his former qualities as Minister of War, when he was perhaps "held in" by the very nature of such a position in a Chinese cabinet, qualities of initiative and capability in "field work" which have stood China in far better stead than had previously been the case. That the General feels himself to be capable is indicated in one instance by the remark that he personally guarantees that every round of ammunition and every weapon available in China will be employed in the war against Japan.

To touch briefly on one or two of the more interesting remarks elicited from General Ho by the questions of the correspondents at the interview under report, mention might be made of his response to the question: "Since the Lukouch'iao Incident,<sup>75</sup> has Japan built many war industries in Occupied China?" He replied that Japan

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<sup>75</sup> July 7, 1937.

started building war industries in Manchuria as early as after the Mukden Incident,<sup>76</sup> thereby reminding us yet again that the war with Japan commenced in 1931. The General indicated China's agreement with methods followed by the Allies in Europe when he said that as to receipt by China of man-power and materials from Japan subsequently to the latter's defeat, the question would be dealt with after the views of the Allied nations as to such reparations; and again in his reply to a question as to disposition of her defeated enemy, when he replied that China would take measures to "completely eradicate the aggressive ideology of the Japanese so that Japan will not be able to wage another war". In this connection the thought occurs to anyone familiar with the Far East that such a program entails approaching far more ancient institutions than in Europe; viz., Zen Buddhism, Bushido, the Noh Play and Kabuki (which are, after all, Japan's "Mystery Plays") and Shintoism, all of which will take rather more time to modify in spirit than will the recently upsprung National Socialism. When asked how many Japanese prisoners had been taken by the Chinese, General Ho stated that "the total would be around several thousands", a rather vague figure. He expects that the enemy might put up fanatic resistance at such points as Canton, Hankow, Shanghai, Nanking, Tientsin and Peiping. The General agrees with the bombing of the Emperor's palace at Tokyo, and feels that the Emperor is a war criminal, in his capacity as Commander-in-Chief of the Japanese Army, Navy and Air Force, and should be so treated. He states that the remark of Madame Chiang Kai-shek some years ago that if Japan ceased her aggressive war against China the latter would regard her as a neighboring nation is invalid in the light of the present situation, and that twenty to thirty years will have to pass before Japan may be regarded in a friendly manner, during which period the Japanese would have to receive "a thorough education in peace thoughts".

Respectfully yours,

WM. R. LANGDON

893.60A/7-2445: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, JULY 24, 1945—11 a. m.

1132. Department desires that you approach the Chinese Government at your discretion to prevent employment of German technicians. (ReEmbs despatch #32, June 30, 1945<sup>77</sup>). Accepted policy of the United Nations is to keep enemy technicians idle and to prepare for repatriation when possible. We understand desire of Chinese in-

<sup>76</sup> September 18, 1931.

<sup>77</sup> Not printed.

dustrialists and authorities in using assistance of German technicians, but in order to achieve a common policy and mutual understanding, such personnel should not be used regardless of how innocent or locally beneficial such services may appear. Other United Nations are cooperating in this policy and it is hoped that Chinese Government will lend its support in making this policy unanimous.

GREW

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740.0011 P. W./7-2845 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, July 28, 1945—7 p. m.  
[Received July 29—6:30 a. m.]

2705. Anglo-American-Chinese proclamation to Japan<sup>78</sup> was reported prominently in July 27 press but was drastically cut. (Sent Dept 2705, repeated Chungking 65.) Proclamation as given in London Tass despatch quoted only portion threatening destruction to Japan at hands of mighty Allied forces. Only 10 lines were devoted to summarizing Allied terms.

Portion of proclamation stating that terms of Cairo Declaration would be carried out and stating that Japanese military forces after disarmament would be permitted to return to their homes was omitted from Soviet press coverage. Tass despatch also gave no coverage to economic aspects of proclamation.

KENNAN

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811.91293/8-145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 1, 1945—10 a. m.  
[Received August 1—8:02 a. m.]

1265. Please forward following secret and urgent message to the Secretary:

Henry Luce, publisher of magazines *Time* and *Life*, is a native of China. For some time he has desired to visit China. During the period of very limited transportation facilities, there was a regulation or order that admitted only correspondents and no publishers to this area. Later I obtained permission from the State Department and brought Paul Patterson, publisher of the *Sun* papers, Baltimore, to China. He in turn sent Mark Watson, Pulitzer Prize war correspondent for 1944, to China. I feel that they are rendering excellent

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<sup>78</sup> Proclamation defining terms for Japanese surrender, issued at Potsdam, July 26, Department of State *Bulletin*, July 29, 1945, p. 137, or *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1474.



service in giving the people of America a more definite and reasonable understanding of the American policy in Asia. Today I mentioned the fact that Luce wishes to come to China to the Generalissimo, General Wedemeyer and Prime Minister Soong. They all thought that his attitude would be constructive, and they would welcome him to this theater. His war correspondents in this area have been opposed to the Chinese National Government and opposed to the American policy in China. Notwithstanding this, Luce has editorially consistently supported both the Chinese National Government and the American policy.

The purpose of this telegram is to request authorization for me to invite Luce to come to China. Should you for any reason not consider an invitation from me to be appropriate, then I suggest that word be sent to him indicating that there would be no objection to his visiting China.

I also suggest the advisability of giving permission to publishers of various shades of opinion from different areas of the United States to come to China. With a growing friendly attitude toward freedom of the press in China, a rational program of permitting editors and publishers to familiarize themselves with the issues on the ground would, I believe, create an interest in Asia in America and would help to clarify American public opinion on Asia.

HURLEY

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Nanking Embassy Files, Lot No. F-73 : Telegram

*President Truman to the Ambassador in China (Hurley)*

BERLIN, August 1, 1945—3:35 p. m.

Please deliver the following message from me to Generalissimo Chiang Kai-shek.

"1. At the Potsdam Conference<sup>79</sup> the Prime Minister of Great Britain and I, in consultation with the Combined Chiefs of Staff, have had under consideration future military operations in south-east Asia.

2. On the advice of the Combined Chiefs of Staff we have reached the conclusion that for operational purposes it is desirable to include that portion of French Indo-China lying south of 16 degrees north latitude in the southeast Asia Command. This arrangement would leave in the China theater that part of Indo-China which covers the flank of projected Chinese operations in China and would at the same time enable Admiral Mountbatten to develop operations in the southern half of Indo-China.

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<sup>79</sup> For report on the Tripartite Conference at Berlin, see Department of State *Bulletin*, August 5, 1945, p. 153, and *Foreign Relations*, Conference of Berlin (Potsdam) 1945, vol. II, p. 1499.

3. I greatly hope that the above conclusions will recommend themselves to Your Excellency and that, for the purpose of facilitating operations against the common enemy, Your Excellency will feel able to concur in the proposed arrangements.

4. I understand that the Prime Minister of Great Britain is addressing a communication to Your Excellency in a similar sense."

HARRY S. TRUMAN

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740.0011 PW/8-345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 3, 1945—11 p. m.

[Received August 3—3:40 p. m.]

1279. For the Secretary [and] for the President. On July 31, I attended a meeting with the Generalissimo, Prime Minister Soong, General Wedemeyer and various members of the American and Chinese military staffs at the Generalissimo's residence. At the meeting, many military subjects were discussed. It was suggested that General Stilwell might be assigned to command the American Forces which would land in China. General Wedemeyer later reported fully the conference discussions to General Marshall.<sup>79a</sup>

On the evening of August 2, the Generalissimo invited me to come to his residence. He discussed with me matters pertaining to American generals who will command American Forces landing in China. After our discussions he handed me an *aide-mémoire* which he asked me to send to the President and which is in full as follows:

"*Aide-mémoire* (handed to Ambassador Hurley by the Generalissimo on August 2, 1945).

In view of the imminent landing of American forces on the China coast the choice of the commanders who are to lead these forces in their operations in China is a question of extreme importance. American commanders should be chosen with a view of their ability to cooperate with the Supreme Commander of the China theater. The commanders should also be selected with a view of their capacity to cooperate with the Chinese Army and its generals. The commanders should not be men who have heretofore shown their inability to cooperate in military operations with the Chinese and in other relations between China and America. In other words, American commanders selected for China should not include any general who has shown himself definitely antagonistic to the Chinese Government or to Chinese national aspirations. China is eager to continue her policy of maintaining and strengthening the pleasant and fruitful collaboration which now happily exists between herself and the United States. China is justly apprehensive of a repetition of the painful experience in the recent past when the war effort and her relations with America

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<sup>79a</sup> Chief of Staff, United States Army.

were jeopardized and retarded by incompatible personalities. It is earnestly requested therefore that the American Government take this situation into full consideration and appoint commanders who enjoy the unqualified confidence of the Chinese Government and people. In short, China would like American military commanders who have not been involved as partisans in the various internal political controversies of China. As acceptable American generals we include General Wedemeyer, General Simpson, General Truscott and other American generals who have proven their worth in the European theater."

The Generalissimo stated that he wished the United States to continue General Wedemeyer in command of all American Forces in China. He stated that he would welcome as many American generals as the American staff desired to send to China. He said he would oppose the assignment of General Stilwell to any command in China.

HURLEY

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740.0011 P.W./8-545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 5, 1945—6 p. m.

[Received August 5—9: 05 a. m.]

1289. Following is summary of Military Attaché's report for week ending August 4:

Japanese troop withdrawal from non-strategic regions in China continued. Large forces in South and Central China were involved and further positions were abandoned.

In North China, considerable activity was reported in central Honan, west of Pinghan Railroad and south of Yellow River. Enemy has been withdrawing considerable of his combat strength from this region and replacing it with independent guard units recently organized and suitable for garrison duty.

In South and Central China, Japanese were finally cleared from Kweilin August 2 and city is said to have been totally wrecked by enemy, who are now retiring to the northeast. Indications are that main Japanese previous strength in Kwangsi-Hunan region has now gone north of Hengyang and most of it is moving rapidly into Yangtze Valley. The Japanese division which has been moving east from Changsha region is now said to be about 50 miles from Nanchang, and the 2 divisions which have been going north from Kan River valley are less than 100 miles away.

In Luichow Peninsula region a large Japanese movement has been reported. Air Reconnaissance reported 30 large junks moving through Hainan Strait and then moving northeast. Importance of this move cannot yet be determined nor number of enemy troops involved.

Japanese in French Indo-China reported to be moving forces away from Chinese border. This probably indicates contraction of their holding in order to concentrate around important city regions.

14th Air Force during week ending July 30 carried out 66 medium bomber flights and 763 fighter flights; this compares with preceding weeks 121 medium bomber and 609 fighter sorties. Of total sorties 17% were against North China targets, 34% South China, and 10% Indo-China. This distribution of attack, compared with previous week, represents shift to South China from North China with proportionate weight of attack in Indo-China and Central China remaining the same. Principal targets were communication lines, military installations and troop concentrations.

HURLEY

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740.0011 PW/8-345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 6, 1945—11 a. m.

1204. The following telegram has been received from the Secretary in reply to your No. 1279: <sup>80</sup>

“By direction of the President, please inform Chiang Kai-shek that no American officers will be assigned to high command in the China Theater who are objectionable to him.

General Stilwell will not be assigned to the China Theater.”

GREW

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S93.001 Chiang Kai-shek/8-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 7, 1945—8 p. m.

[Received August 7—1 p. m.]

1302. The Generalissimo informed me this morning (supplementing my telegram No. 1272 of August 2, 11 a. m.,<sup>81</sup>) that he expects to be in a position to reply to the suggested revision of the China Theater and SEAC (Southeastern Asia Command) within the next 2 or 3 days.

HURLEY

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<sup>80</sup> August 3, 11 p. m., p. 144.

<sup>81</sup> Not printed.

811.91293/8-145

*Memorandum by the Under Secretary of State (Grew) to the  
Secretary of State*

[WASHINGTON,] August 8, 1945.

In a telegram No. 1265 dated August 1, 10 a. m. (copy attached) Ambassador Hurley made the following suggestions:

- (1) That he be authorized to invite Henry Luce, publisher of *Time* and *Life* magazines to visit China;
- (2) That word be sent Mr. Luce, in the event that you did not consider an invitation from Ambassador Hurley appropriate, indicating that there would be no objection to Mr. Luce's visiting China; and
- (3) That permission be given to publishers of various shades of opinion to come to China.

Ambassador Hurley requested that his telegram be sent on to you but in view of the fact that you were about to leave Potsdam and as he had not made clear his reasons for considering the matter urgent I sent him a telegram No. 1177<sup>82</sup> (copy attached) stating that I should bring his telegram to your attention immediately upon your return to Washington.

In connection with Ambassador Hurley's desire to invite Mr. Luce to China there is certain background information which I believe you would like to have before reaching a decision.

Mrs. Shipley, the Chief of the Passport Division, has pointed out that authority to grant permission for editors and publishers to travel abroad had been made a White House responsibility by President Roosevelt early in the war. The revision of this procedure in regard to the Pacific area was being considered at the time of President Roosevelt's death. Subsequently President Truman authorized the Secretary of the Navy, Mr. Forrestal, to invite editors and publishers to travel in the Pacific area provided they went in groups or were suitably paired and also provided the White House was kept informed. Mr. Luce made one trip to the Pacific area but was paired with another editor so that the reports of each one could be checked against those of the other in the event that either of them should give a biased picture of what he had seen.

In view of the fact that the directive to Mrs. Shipley from the White House has not been modified it would be necessary to seek either authorization from the White House for the issuance of a passport to Mr. Luce or a general change in the previous directive. If we are prepared to recommend the latter course the outcome would, of course, be dependent upon the decision of the President. If, on the other hand, there is to be no such recommendation the question arises as to

<sup>82</sup> August 2, 3 p. m., not printed.

whether the Department should take the initiative in order to obtain authorization from the White House for the issuance of a passport in the individual case of Mr. Luce. If the Department does take the initiative the Department lays itself open to the charge of discrimination unless it is prepared to make the same request for other publishers.

Provided transportation facilities and military clearance are readily available to Mr. Luce and to other prominent American publishers and the President has no objection to the issuance of passports to them, the Department would favor visits to China in the interest of furthering mutual understanding between the Chinese and American people. However, even apart from the question of the appropriateness of a representative of this Government inviting an American publisher to visit a second country, it would seem wiser as a general rule that such invitations not be issued and thus any charges of discrimination would be avoided.

From the foregoing it is clear that none of the questions raised in Ambassador Hurley's telegram can be answered until the situation concerning special authorization from the White House for publishers to travel in war areas has been clarified.

JOSEPH C. GREW

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811.91293/8-145: Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 8, 1945—8 p. m.

1224. I have given careful consideration to your 1265 August 1. (See also Department's no. 1177, August 2.<sup>83</sup>)

I feel that even apart from the question of the appropriateness of a representative of this Government inviting an American publisher to visit a foreign country it would seem wise as a general rule not to issue such invitations and thus avoid any charges of discrimination. Accordingly we are not taking the action in regard to Mr. Luce that you suggest and desire that you likewise refrain from acting in the matter.

BYRNES

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740.0011 P.W./8-1045: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 10, 1945—10 a. m.

[Received midnight.]

1221. Soviet entry into war against Japan<sup>84</sup> was enthusiastically received here, and general opinion was expressed that this action,

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<sup>83</sup> Not printed.

<sup>84</sup> August 9.

together with atomic bomb, would greatly shorten war. *Central News* carries texts of Generalissimo's message to Stalin<sup>85</sup> and Chinese Government spokesman's statement on Soviet declaration of war, together with reports of Dr. K. C. Wu's call on Soviet Chargé and accounts of press interviews with Chinese Government leaders. In view of Department's 1107, July 17,<sup>86</sup> Embassy will not telegraph these statements and reports unless so instructed.

HURLEY

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740.00119 P.W./8-1045 : Telegram

*Ambassador Edwin W. Pauley, Personal Representative of President Truman on the Reparations Commission, to President Truman and the Secretary of State*<sup>87</sup>

Moscow, August 10, 1945.

[Received August 10—11:40 p. m.]

M-25261. Conclusions I have reached through discussions on reparations and otherwise lead me to the belief that our forces should occupy quickly as much of the industrial areas of Korea and Manchuria as we can, starting at the southerly tip and progressing northward. I am assuming all of this will be done at no risk of American lives after organized hostilities have ceased, and occupancy to continue only until satisfactory agreements have been reached between the nations concerned with respect to reparations and territorial rights or other concessions.

[PAULEY]

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740.0011 P.W./8-1045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 10, 1945—5 p. m.

[Received August 11—2 a. m.]

1324. For the President from the Generalissimo. I have just received the following message (re Embassy's telegram No. 1302, August 7, 8 p. m.).

1. President Harry S. Truman:

I wish to acknowledge the receipt of your message sent to me through Ambassador Hurley.<sup>88</sup> The arrangement presented by the

<sup>85</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

<sup>86</sup> Not printed.

<sup>87</sup> Transmitted by the head of the American Military Mission in the Soviet Union (Deane).

<sup>88</sup> See telegram of August 1, 3:35 p. m., from President Truman to the Ambassador in China, p. 143.

Combined Chiefs of Staff in their report to you and the Prime Minister to include within Southeast Asia Command that portion of Indo-China lying south of latitude 16 degrees north has been very carefully considered. It is noted that Thailand an area which has always been an integral part of the China Theater is not included in the proposed reapportionment of operational areas.

2. It is agreed that China Theater is primarily interested in operations pointing toward the center of Japanese resistance within the Archipelago and on the Asiatic continent and therefore areas to the south, for example, Thailand and Indo-China are essential to China Theater in that appropriate measures must be taken there to provide protection for the right or southern flank of projected Chinese operations.

3. The proposed arrangement of the Combined Chiefs of Staff is agreed to with following stipulations:

4a. That part of French Indo-China south of 16 degrees latitude north would be henceforth considered in the Southeast Asia Command.

5b. That the 16 degrees parallel also be considered the southern boundary of the China Theater within Thailand and the area to the south of that line be considered within SEAC and the area to the north within China Theater.

6c. That any operations air, ground, sea or amphibious conducted in the China Theater including French Indo-China and Thailand north of 16 degrees latitude north undertaken by French, British, Americans or any other Allied forces would be definitely under the operational control of the Supreme Allied Commander of China Theater.

7d. That no military, quasi-military or clandestine operations be undertaken by the British, French or any other Allied forces in the China Theater including the area north of 16 degrees north latitude in French Indo-China and Thailand without the full knowledge and approval of the Supreme Allied Commander, China Theater. Chiang Kai-shek.

HURLEY

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749.0011 P.W./8-1145: Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 11, 1945.

[Received August 11—8:30 a. m.]

2851. Press August 11 published Ulan Bator Tass despatch dated August 10 stating that in morning Maly Khural and Council of Ministers of Mongolian People's Republic in joint session had unanimously taken decision for declaration of war on Japan by Mongolian People's Republic.

Beneath this despatch there was published "declaration of Maly Khural and Government of Mongolian People's Republic regarding



declaration of war on Japan." Embassy's translation of declaration follows:

"Maly Khural and Government of Mongolian People's Republic moved by feelings of the age-old aspirations of the Mongolian people for their freedom, independence and complete sovereignty;

Proceeding from aspirations of Mongolian tribes who live in one family in peace with their democratic neighbours;

Inspired by fraternal feelings for the peoples of the Soviet Union who have extended to us the Mongolian people the hand of brotherly help in reestablishing and consolidating our state [of] independence;

True to their obligations according to the treaty of mutual assistance between Mongolian People's Republic and U.S.S.R. concluded March 12, 1946 in the city of Ulan Bator;

And also inspired by the united aspirations of the democratic states and freedom loving peoples of the world to achieve general peace more quickly;

In order to make its contribution to the cause of the United Nations hereby solemnly declare a holy war against Japan of [on?] the side of the United Nations and fully adhere to the statement of the Soviet Government made on August 8 of this year in Moscow."

Sent Dept 2851, repeated AmEmbassy, Chungking 77.

[HARRIMAN]

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740.0011 P.W./8-1145: Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 11, 1945.

[Received August 11—9:50 p. m.]

2854. Message from Chiang Kai-shek to Stalin published in front pages of Moscow newspapers August 10 expressed joy of Chinese people, with news of Soviet Union's entry into war against Japan. Message stated that "at very beginning of China's defensive war Soviet Union first furnished us great moral and material aid, for which our people is full of gratitude". Remainder of message referred to sympathy of Chinese people for Soviets after German attack and stated that now that Russia having defeated Germany has declared war Chinese troops will have honor of fighting side by side with Soviet Army. In conclusion Generalissimo's message expressed hope for speedy defeat of Japan which would accelerate establishment of stable peace in all East Asia.

Sent Department 2854, repeated Chungking 78.

HARRIMAN

740.0011 P.W./8-1145: Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary  
of State*

Moscow, August 11, 1945—6 p. m.

[Received August 11—5:35 p. m.]

2866. Action of Mongolian People's Republic in declaring war on Japan emphatically underlines MPR claim to "independence" and "sovereignty" (sent Dept 2866; rptd Chungking 83).

Passages in statement accompanying declaration of war referring to aspirations of Mongolian people and tribes suggest possibility of MPR bringing Inner Mongols and Manchurian Mongols into the "one family" of MPR. If this occurs, MPR and Communist China will have an extensive common frontier.

HARRIMAN

POLITICAL CONDITIONS IN CHINA PRIOR TO THE JAPANESE SURRENDER; GOOD OFFICES OF AMBASSADOR HURLEY TO END CONFLICT BETWEEN THE NATIONAL GOVERNMENT AND THE COMMUNISTS (JANUARY-AUGUST) <sup>1</sup>

893.00/1-245

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent)* <sup>2</sup>

[WASHINGTON,] January 2, 1945.

President Chiang Kai-shek's New Year's statement that "we must prepare for the convening of a Peoples Congress within this year (1945) to adopt and promulgate a constitution", with the reservation "as soon as the military situation has become so stabilized as to enable us to launch a counter-offensive with greater assurance of victory", is not believed to have great significance. However, the convening of a constitutional congress during the present year is a possibility.

If Chiang sincerely desires to realize popular government, he has at hand several possible measures to achieve that end which could be put into effect at once: give the People's Political Council real power as a deliberative assembly; introduce a measure of representative local government; give minority groups effective representation in the National Government; form a coalition government composed of all resistance elements. The fact that Chiang does not effect a *modus vivendi* with the Communists lays open to question his latest promise of representative government.

A serious question would be the probable opposition of non-Kuomintang elements to participation in the Congress because of the preponderance of conservative Kuomintang representation therein.

In a fifteen-point statement that followed Chiang's announcement, Mao Tse-tung, Chairman of the Central Executive Committee of the Chinese Communist Party, said *inter alia*: "Only when China has a coalition in the central Government that can carry out democratic programs and mobilize as well as unite all our resources against Japan can the victory and liberation of our people be assured".

J[OHN] C[ARTER] V[INCENT]

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<sup>1</sup> For previous documentation on political conditions in China, see *Foreign Relations*, 1944, vol. VI, pp. 299 ff.

<sup>2</sup> Addressed to the Director of the Office of Far Eastern Affairs (Ballantine) and the Under Secretary of State (Grew). Transmitted to the Ambassador in China by the Secretary of State in his instruction No. 33, February 8.

893.00/1-445

*Memorandum by the Secretary of State to President Roosevelt*<sup>3</sup>

WASHINGTON, January 4, 1945.

Subject: Communist-Kuomintang Relations.

Attached is a summary of a telegram<sup>4</sup> from Ambassador Hurley.

The Ambassador points out that Chiang and the Communists have similar objectives—popular government and military unity. But Chiang's promises of popular government are distrusted and his conception of unity is summed up in his statement to the Vice President: I want to cooperate with the Communists but they must obey my orders.

The Ambassador states that "the Kuomintang still hopes to keep China under one-party rule". The Communists want a coalition government. Their optimum is  $\frac{1}{3}$  Communist,  $\frac{1}{3}$  Kuomintang, and  $\frac{1}{3}$  minority party representation. Chiang is willing to concede representation which does not endanger Kuomintang control. The gap between Chiang and the Communists is wide and fundamental. It is hoped that the Ambassador can persuade Chiang and the Communists to bridge it. If they do not, civil war, as he points out, will come sooner or later.

Chiang is in a dilemma. A coalition would mean the end of conservative Kuomintang dominance and open the way for the more virile and popular Communists to extend their influence to the point perhaps of controlling the government. Failure to settle with the Communists, who are daily growing stronger, would invite danger of an eventual overthrow of the Kuomintang. Chiang could, it is felt, rise above party selfishness and anti-Communist prejudice to head a coalition government which might bring new life into the war effort and assure unity after hostilities.

If a settlement is not reached, the alternative might be an American military command of all Chinese forces. It is understood that both Chiang and the Communists would agree to this. Such a command would make possible limited supply of ammunition and demolition material to the Communists which all observers agree could be effectively used. It would obviate political difficulties in the event of coastal landings adjacent to areas under Communist control. If Russia comes into the war in the Far East, it would be highly advantageous to have in China an overall American command, rather than a disunited Chinese command. And finally, an American command could serve as a stabilizing political influence in the period immediately following the conclusion of hostilities in China.

E. R. STETTINIUS, JR.

<sup>3</sup> Drafted by the Chief of the Division of Chinese Affairs (Vincent).<sup>4</sup> Summary not printed; for unnumbered telegram of December 24, 1944, from the Appointed Ambassador in China, see *Foreign Relations, 1944*, vol. VI, p. 745.

761.93/1-2645

*Memorandum by the Second Secretary of Embassy in China (Davies)* <sup>5</sup>

## CHINA AND THE KREMLIN

Without attempting to guess what Russian intentions in the Far East may be, it is nevertheless useful to examine some of the factors, present and future, in the Chinese political scene which may influence future Soviet decisions.

*The Present.* The Current situation in China must afford the Kremlin a certain sardonic satisfaction.

The Russians see the anti-Soviet Government of Chiang Kai-shek decaying—militarily, politically and economically. They observe the Chinese Communists consolidating in North China, expanding southward in the wake of Chiang's military debacles and now preparing for the formal establishment of a separatist administration. The Kremlin sees that as the Japanese become increasingly concerned with the American naval threat to the China Coast and Japan Proper, they are less able to focus on the defense of North China and Manchuria.

Britain, the Russians undoubtedly recognize, has recently adopted a policy of supporting Chiang diplomatically as a counter poise to the Chinese Communists, but is unable at this stage to give him material aid and would not, even if it could, assist him to the extent that he could unify China.

The Russians have witnessed the instructive frustration of American efforts to bring out by exhortation a Chiang-Communist agreement. If by our refusal now of military cooperation to the Communists the potentially pro-American and nationalist group at Yen-an has lost prestige and those doctrinaires favoring reliance upon the Soviet Union have been further strengthened, the Kremlin doubtless knows it.

The Russians need not regret their present hands-off policy. From Chinese Turkestan to the China coast events seem gratuitously to have served the Kremlin well.

*The Future.* Before many months the situation in China may be ripe for Russian intervention.

It is probably evident to Moscow that, if the Japanese do not within the next three months take Kunming, Kuomintang China's decline

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<sup>5</sup> Original marked "Unofficial and Private". Forwarded by Mr. Davies to the Chief of the Division of Chinese Affairs (Vincent) and addressed in a covering memorandum of January 26 by Mr. Vincent to the Director of the Office of Far Eastern Affairs (Ballantine), the Deputy Director (Stanton), and the Chief of the Division of Eastern European Affairs (Durbrow). Mr. Vincent stated in his covering memorandum to the three officers of the Department that he would have a summary prepared for the Under Secretary of State (Grew) and the Assistant Secretary of State (Dunn) "if you think the subject matter would be of interest." In a penciled notation Mr. Ballantine remarked: "I think summary would be useful. J. W. B."

may by the spring of 1945 be somewhat arrested by American supply transfusions through the Burma Road and by American reforms enforced on the Chinese Army. The Chiang regime may have been lent an American lease on life.

It is equally evident to the Russians that the Chinese Communists will not in the meantime be idle. The Communists have amply demonstrated a capacity for independent, dynamic growth. However Marshal Stalin<sup>6</sup> may describe the Chinese Communists to his American visitors, he can scarcely be unaware of the fact that the Communists are a considerably more stalwart and self-sufficient force than any European underground or partisan movement.

A rejuvenated Chiang, Moscow probably recognizes, means an increased likelihood of civil war. If the Central Government continues to receive American, and later British, aid it may attempt sooner or later to reimpose its authority on North China. Furthermore, there is no reason to believe that at such a time the Kuomintang's Russophobia will have abated. The Kremlin may therefore anticipate an internal Chinese situation possibly necessitating Russian preventive or corrective action.

The Russians cannot expect during the coming months any marked reduction of Japanese front-line strength in Manchuria and North China. But they should be able to count on a dissipation of Japanese reserves. If there are compulsions for an invasion of Manchuria and North China, the Kremlin can reckon on a hard but increasingly brittle shell of Japanese resistance.

As for the future role of Britain in China, it can hardly appear to the Russians other than one already familiar to them—an underwriter of bankrupt regimes. In the case of China, however, the British may well get what they want—a disunited China with the southern half of the country a British and, if we so desire, American sphere of influence.

American policy in the Far East, the Kremlin undoubtedly knows, is based on the quickest possible defeat of Japan and a united, strong and independent China.

It is presumably evident to the Kremlin that for at least the immediate future we seem to be committed to (1) reliance upon only Central Government forces for the conduct of the war against Japan on the continent and (2) unconditional support of Chiang Kai-shek. Yet Chungking can contribute little, the Russians know, to hastening the defeat of Japan, not only because of its military anaemia but also because the area of possible military operations under Chungking control lies outside of Japan's inner zone. And as for Chiang's being able to unite China, the Russians are scarcely likely to cherish illusions on that score.

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<sup>6</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

No one is perhaps more aware than Marshal Stalin of the fallibility of foreign loyalties to the Soviet Union. Or of the potency of nationalism. And perhaps no one more than Marshal Stalin appreciates the malleability of a revolutionary movement.

It is therefore difficult to believe that the Kremlin does not recognize certain conditions in Communist China which the United States might, if it would and could, exploit to its own great advantage. They are:

(1) The eagerness and capability of the Communists to cooperate with the United States in aggressive prosecution of the war against Japan.

(2) The strategic position of Communist China extending deep into Japan's inner zone.

(3) The present nationalistic feeling among the Communists which, with practical American encouragement, would probably become the dominant motivation of the Communists, but which, with continuing American indifference to Yenan, will be superseded by a sense of persecution, isolation and dependence upon the Soviet Union.

(4) The present moderate social and economic program of the Communists, the mass support which they command and their outstanding vitality, all of which mean that they are potentially the most modern and constructive unifying force in China.

(5) The Communists' need of foreign capital for postwar reconstruction of North China and the inability of the Soviet Union to fill that need for some time after the war.

Moscow may well doubt that we will and can exploit these conditions so favorable to us. The profound suspicion and hostility in the United States to the tag "Communist", the Kremlin probably knows, prejudices the American public against the Chinese Communists. Marshal Stalin must also be informed that, notwithstanding recent debunking, most Americans are attached to the fiction that only through Chiang Kai-shek can China in war and in peace realize its destiny. It is further evident that the necessary sensitivity in a democratic system of the administration to public opinion makes it unlikely that American policy can be anything other than a vacillating compromise between realism and wishful thinking.

It is difficult to escape the conclusion that we are in Russian (and British) eyes the victims of the insularity and international political immaturity of our people and of the unwieldy processes of democracy. By our unwillingness and inability to engage in *realpolitik*, the Kremlin may well believe, we stand to lose that which we seek—the quickest possible defeat of Japan and a united, strong and independent China. And the Soviet Union may stand to gain, if it chooses to seize the opportunity, a satellite North China. The Kremlin is not likely to be unaware of what is at stake in this situation—the future balance of power in Asia and the Western Pacific.

JOHN DAVIES

CHUNGKING, January 4, 1945.

893.00/1-545

*Memorandum by the Second Secretary of Embassy in China (Davies)*<sup>7</sup>

[CHUNGKING,] January 4, 1945.

*Memorandum for the Embassy:*

The U. S. Army Observer Section at Yen-an has forwarded me a paraphrase of a message from Mr. Raymond P. Ludden, Second Secretary of Embassy on detail to the Army. Mr. Ludden reports, in substance, the following:

The Communist military forces in North China possess high morale and are well garbed. If their activities are coordinated with Allied planning and if adequate explosives are distributed to them, the Communists can with a maximum advance notice of 40 days cripple North China rail communications. The political practices of the Communists are liberal democratic and soundly nationalistic. Communism is no more than an ideal to be achieved in the distant future. The Communists are potential friends of the United States. We can, however, easily lose the opportunity which now presents itself.

The foregoing message was presumably dispatched from either western Hopei Province or from Shansi, Yen-an did not indicate. The observations contained therein are based on Mr. Ludden's experiences during the past several months in Communist base areas behind the enemy lines.

JOHN DAVIES

893.00/1-545

*Memorandum by the Chief of the Division of Chinese Affairs (Vincent)*<sup>8</sup>

[WASHINGTON,] January 5, 1945.

Following is a summary of an address made to Chinese students by Dr. Chang Hsi-jo, a college professor, which is noteworthy as constituting an unprecedentedly forthright public criticism of Generalissimo Chiang Kai-shek and as having evoked intense and sympathetic interest among the students.

"Dr. Chang believes that the only solution to China's present difficulties lies in substantial curtailment of the Generalissimo's powers. The Generalissimo during the course of the war has greatly increased his power, and now assumes complete responsibility for all decisions in military, political, economic and educational matters. Any ministerial changes are without significance as long as Chiang exercises

<sup>7</sup> Copy transmitted to the Chief of the Division of Chinese Affairs (Vincent) by Mr. Davies in a personal letter of January 5.

<sup>8</sup> Addressed to the Under Secretary of State (Grew), the Assistant Secretary of State (Dunn), and the Director of the Office of Far Eastern Affairs (Ballantine).



such power. No reform can be looked for from either within the government or the *Kuomintang*, as both form his personal retinue. The speaker recommended that the government convene a national convention, which should elect an executive council, and which should severely limit the powers of the Generalissimo, reserving major decisions to the council. The convention should also set up machinery for the establishment of a properly representative legislative body to which the council and the president would be responsible." (Kunming's despatch no. 125, December 6, 1944<sup>9</sup>).

Dr. Chang is a prominent independent leader in liberal circles at Kunming, who is noted for his integrity and fearlessness and who has friends among the liberal elements of the Kuomintang. It is significant, and probably indicative of the Generalissimo's realization of the inadvisability of attempting to suppress a liberal leader of Dr. Chang's prestige, that the government has, as yet, taken no action against Dr. Chang for having dared openly to criticize the Generalissimo.

J[OHN] C[ARTER] V[INCENT]

S93.00/1-545

*Memorandum by the Second Secretary of Embassy in China  
(Davies)*<sup>10</sup>

GENERAL POLITICAL COMMENTS

An intelligent Chinese journalist with extensive connections among high officials made the comments which follow.

As a result of the anti-Chungking sentiments and activities in Southeast China during the past summer and autumn (which we know to be a fact), the Generalissimo hoped that the forces of Yu Han-mou, Chang Fa-kuei and Tsai Ting-kai would be broken up or decimated during the course of the Japanese drive southward. The Generalissimo was aware of the ambitions of these generals and Li Chi-shen, the veteran Kwangsi political leader. He suspected that they had separatist intentions (Li approached American consular and military representatives at Kweilin last summer asking for American support of an anti-Chiang reformed government in the Southeast). Chiang doubtless also recognized that they were scheming to place themselves on the coast to receive American supplies and enlist American support (Li offered us the cooperation of the proposed reform government to assist American landings).

The poor showing of the Kwangsi and Kwangtung troops against the Japanese last autumn, my informant stated, was due to their

<sup>9</sup> *Foreign Relations*, vol. VI, 1944, p. 721.

<sup>10</sup> Transmitted to the Chief of the Division of Chinese Affairs (Vincent) by Mr. Davies in a personal letter of January 5.

realization that Chiang desired their liquidation. They therefore avoided contact with the enemy and sought to retain their forces intact. Li Tsung-jen, he said, recently intimated that this had been the Kwangsi-Kwangtung strategy.

Yu Han-mou's strength remains relatively unimpaired. Li Chi-shen has established east of the enemy lines a small local government with Tsai as his military chief (he has asked us to air-drop him arms). Hsueh Yueh, whose forces were battered by the Japanese in Hunan, is said to be sympathetic to the Kwangsi-Kwangtung faction. But Chang Fa-kuei appears to have dropped out, at least temporarily.

The Generalissimo has been disappointed in his hopes. The South-east is still a dissident threat. Its various elements are functioning independently of Chungking. If there is an American landing on the South China coast, these elements will seek to capitalize on the landings and openly announce their independence of the Generalissimo. If such a development occurs, the journalist declared, the Generalissimo is finished.

The Kwangsi-Kwangtung factions, my informant went on, are progressive; midway between Chiang's Kuomintang and the Communists. They could work out a coalition with the Communists.

I asked what he thought would happen if there were no American landing on the South China coast but one on the Central China coast. That would be a different story. Chiang would have a better chance in that eventuality. The Third War Area commander, General Ku Chu-tung, is not particularly disloyal—or loyal—he is too busy trading with the Japanese. He would probably not try to beat Chiang out of American help if a landing were made on the Fukien or Chekiang coast. His interests are more commercial than military or political.

I asked whether the announcement made by the Generalissimo that constitutionalism would be instituted this year was considered to be a result of American pressure. The journalist said no. Criticism of the Government has been steadily mounting throughout the country. There have been open and sometimes violent manifestations of dissatisfaction with the Government and the Generalissimo. Chiang had to do something politically constructive. Especially since his negotiations with the Communists had broken down. So the intention to institute constitutionalism was announced.

My informant was sceptical about this so-called reform. He anticipated a managed election and stacked congress, with the CC clique<sup>11</sup> running the show. Others may be taken in by the demon-

<sup>11</sup> Kuomintang group headed by Chen Li-fu, Minister of Organization, and his brother, Chen Kuo-fu, head of the Central Broadcasting Administration and Chief of the Personnel Section of Generalissimo Chiang's private Secretariat.

stration, but not the Chinese who are cynical about their own politics. No matter what attempts are made to manage the transition to constitutionalism, the very fact that the issue is officially and openly raised will inspire a clamor of demands and programs in opposition to that which the Generalissimo and his followers will try to force through.

The gesture of constitutionalism is a possible solution of the Communist problem, from the Government's point of view. A "democratic" constitution is set up, the Communists are asked to come in under it and if they refuse, they are without the law and the Government will be legally correct in attacking them as rebels. My informant saw the foregoing as a not unlikely development. He considers the danger of civil war to be great. If it occurs, it will be the bloodiest and most convulsive episode in Chinese history. For the first time there will be an issue which will override family ties, set son against father, brother against brother. The Government will not be able to crush the Communists. Furthermore, the Communists may count on Russian aid. It may not be open intervention, but it may be expected to be effective. The Russians will not come south of the Great Wall because they do not want to lend substance to any outcry of "Red Imperialism" sweeping into China. But that does not mean that they will allow Chiang to reestablish himself in North China.

If there is no civil war and no coalition, there will be two Chinas. A unified and peaceful Communist North China. And a South China torn by semi-feudal rivalries and strife.

Did the Generalissimo fully realize how serious the position of his Government was, I asked. Yes, he was becoming more aware of it than he had been. He has come to recognize that Chungking is his political base for sometime to come and so has consented for the first time to the industrial development of Szechuan. Hence his willingness to cooperate with the WPB.<sup>12</sup>

Chiang's greatest hope for regaining control of Central and East China is through future cooperation with the puppets, the journalist said. Hence the present contacts which Chungking maintains with Nanking and Peking. The Japanese know of these relationships and approve of them because they do not now wish Chiang destroyed—"he is essential to them."

Dr. T. V. Soong,<sup>13</sup> my informant stated, is now working closely with Tai Li.<sup>14</sup> The Generalissimo has brought Dr. Soong up after degrading and humiliating him last year. The Generalissimo will allow Dr. Soong to retain his present elevation provided he does not

<sup>12</sup> The Chinese War Production Board.

<sup>13</sup> Acting President of the Chinese Executive Yuan and Minister for Foreign Affairs; brother-in-law of President Chiang.

<sup>14</sup> General Tai Li, director of the Chinese Central Investigation and Statistics Bureau (military secret police), National Military Council.

seriously cross Chiang. The Generalissimo knows Dr. Soong well, he realizes that his brother-in-law is overweeningly ambitious. One more false step, the journalist said, one more attempt to impose his ideas over those of the Generalissimo and Dr. Soong will be deposed for good.

The Generalissimo, my informant said, is certainly the most astute politician in China. But he admired Li Chi-shen more. Li has integrity and more vision. The Communist leaders he spoke of in a different vein, with respect but not glowing admiration. They are the only ones who are politically the Generalissimo's match.

JOHN DAVIES

CHUNGKING, January 5, 1945.

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893.00/1-2445

*Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Vincent)*

[WASHINGTON,] January 6, 1944 [1945].

I called this morning on Congressman Mike Mansfield, of Montana, at his invitation. Mr. Mansfield has just returned from a visit of something over a month in China.

Mr. Mansfield was struck with the improvement in the situation which had been brought about by Ambassador Hurley, General Wedemeyer,<sup>15</sup> and Mr. Donald Nelson.<sup>16</sup> He spoke highly of all three men. He said that General Wedemeyer was working closely with the Generalissimo and with General Chen Cheng, the new Minister of War. General Chen, Mr. Mansfield said, was one of the most hopeful figures in China. General Wedemeyer has staffed his headquarters with a very capable group of officers who are working hard to make effective use of Chinese armies.

Mr. Mansfield was not favorably impressed with T. V. Soong. He said that neither was General Wedemeyer. He indicated that the favorable press that T. V. Soong had gotten in this country was unwarranted.

Mr. Mansfield was not hopeful that a settlement of Communist-Kuomintang relations would be reached. We spoke of an alternative in the form of over-all American military command. Mr. Mansfield said that General Wedemeyer had been offered such a command by Chiang (not including the Communist armies) but he was disinclined to take it.

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<sup>15</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in the China Theater and Chief of Staff of the China Theater.

<sup>16</sup> Personal Representative of President Roosevelt in China.

Mr. Mansfield said that he went to China with the idea that transportation and supplies were the principal problem in connection with military operations. He said that he left China with the conviction that the main problem, however, was disunity of military command, not only with regard to the National Army and the Communist army, but within the National Army.

Mr. Mansfield remarked that it was essential for the United States to work for a united China in the postwar period. He recognized the danger of disunity inherent in the Communist problem and he also commented on British policy toward China which he seemed to think would not be averse, because of Empire considerations, to a perpetuation of a weak China. He admitted that the British, as a matter of policy, were not working to prevent a united China but he said that they certainly were not working for such a China.

Mr. Mansfield is preparing a report for the President on his trip and said that he hoped a copy would be made available to the State Department by the White House.<sup>17</sup>

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893.00/1-1049 <sup>18</sup>

*The Appointed Ambassador in China (Hurley) to Messrs. Mao Tse-tung and Chou En-lai*

[CHUNGKING,] 7 January 1945.

DEAR CHAIRMAN MAO AND DEAR GENERAL CHOW: I am in receipt of your two messages of the 24th and 28th December,<sup>19</sup> the former asking for the National Government's consideration of your five point proposal<sup>20</sup> and the latter asking that the National Government should first voluntarily carry out an additional four points.

Your second message is a departure from our original procedure which was to arrive at an agreement on general principles before discussing any specific details. I believe we should, all of us, continue our efforts to arrive at a settlement by keeping to our original procedure.

On your initiative and with the consent of the National Government I visited Yen-an, conscious that I am dealing with patriotic Chinese on both sides, who desire to unite to fight the common enemy. My stay in Chungking has convinced me that the National Government is sincerely desirous of making such concessions on its part as will make a settlement practicable.

<sup>17</sup> See letter of January 3 from Representative Mansfield to President Roosevelt, p. 2.

<sup>18</sup> All documents on this file number were taken from a microfilm roll received from the Embassy in China at Nanking by the Department in January 1949.

<sup>19</sup> *Foreign Relations*, 1944, vol. VI, pp. 745 and 755.

<sup>20</sup> Dated November 10, 1944, *ibid.*, p. 687.

As such matters obviously cannot be set forth by letter or telegram and since General Chow could not come to Chungking, I have secured the approval of the National Government of the following suggestions which I now make to you:

1. Dr. T. V. Soong, Acting President of the Executive Yuan, should make a brief visit to Yen-an with Dr. Wang Shih-chieh, General Chang Tse-chung and myself, to discuss matters with you in person and that

2. If agreement is reached in principle, Chairman Mao and General Chow should return with us to Chungking to conclude the agreement.

I shall be glad if you will give this suggestion your careful consideration and reply by letter through the bearer of this letter.

With greetings of the season, I am

Your friend,

PATRICK HURLEY

893.00/1-945

*The Second Secretary of Embassy in China (Rice) to the Secretary of State*

No. 21

SIAN, January 9, 1945.

[Received February 16.]

SIR: I have the honor to refer to my despatch to the Department no. 3, July 19, 1944<sup>22</sup> entitled, "Information, Chiefly Military in Character, Supplied by Yeh Chien-ying, Chief of Staff of the Communist Eighteenth Group Army", and to report as follows information in regard to the organization and expansion of Communist-controlled areas of Shantung, Kiangsu, Anhwei and Honan. Except where otherwise noted, this information was obtained from a Chinese intelligence agent of medium-high rank who states that he worked for seven years in Shantung and in the Shantung-Kiangsu-Anhwei-Honan border area, which areas he left last autumn. The statistical and other data he supplied was, he says, as of October, 1944; this data I have supplemented where possible with other, more recent, information obtained through other non-Communist sources. While not unbiased, these informants, in my opinion, present a more balanced picture than I would expect of Central Government officers and employees.

*Summary:* Central Government agents state that the Chinese Communists, in their base areas of Shantung and adjacent provinces, engage in what would appear to be careful and intensive organization and training of the rural populace. After the Chinese defeat in Honan in the spring of 1944 the Communists, they state, moved forces from nearby base areas into the great central plain which comprises

<sup>22</sup> Not printed.

a great part of Honan and portions of provinces adjoining it on the east. (*End of Summary.*)

*Communist Political Organization of the Populace:* In Shantung ultimate responsibility for all Communist Party, governmental and military affairs rests with the Communist Party Political Bureau. (There is appended to this dispatch an enclosure entitled, "The Organization and Personnel of the Communist Party's Political Bureau, Shantung Branch".<sup>23</sup>)

On the lower levels, chiefs of the *pao* and *chia* are elected by the people, but the Political Bureau maintains one to three of its subordinates in each village. These subordinates comprise People's Movement Directors and so-called Communications Officers. The afore-mentioned Directors are charged with the supervision of the *pao* and *chia* chiefs. They also organize all the people of their villages (according to the age-groups into which they fall) into Scouts, Youth Corps, Women's Corps, Able-Bodied Corps and Old People's Corps. The members of these corps are given training through small group discussion meetings, news reports, teaching of illiterates to read, singing contests, political symposiums, production discussions and farming exhibits. The Communications Officers supervise the work of the People's Movement Directors and carry out other duties described elsewhere in this despatch.

The more promising youngsters of the Youth Corps are selected by the Communications Officers and are sent to the village agricultural schools—of which there is one in almost every village—or to the so-called Cadres Training Schools. The best students from these latter schools are picked for employment in positions of a low degree of responsibility in the government or in the army; the rest are sent back to their villages to become assistants to the People's Movement Directors.

*Communist Military Organization of the Populace:* The People's Movement Directors organize the populace of each village into home guard and self-defense corps called [here follow four Chinese characters]. Members of these units ordinarily do not fight except in case of attacks on their villages when they may be issued hand-grenades and are led by the responsible Communications Officer. If, at such times, members of these corps flee their whole families are punished so usually they are afraid not to stand and fight.

Villagers who are found to possess guns are gathered together and enrolled in armed units which are taken to the towns where the hsien (district) government is situated. After receiving military training they constitute local armed forces which do not engage in regular

<sup>23</sup> Not printed.

productive activities. The best soldiers are removed from these local armed units and are enrolled in the Red Army. (There are appended to this report lists<sup>24</sup> of regular Red Army units in Shantung and in adjacent areas of Anhwei and Honan. It will be noted that these lists show the designations of the units, the names of their commanders, the areas in which they are stationed and the numerical strength of each.)

Regular Red Army forces known to be stationed in Shantung total about 85,000 men; Red Army forces known to be stationed in adjacent areas of Anhwei and Honan number about 25,000.

When troops are on the march the Communications Officers are responsible for informing the People's Movement Directors in the next village. The latter in turn inform the *pao* and *chia* chiefs who furnish foodstuffs for the troops from local stores, where they have been placed as collections of the bi-annual tax in kind. Each soldier, it might be added, is given two ration tickets a day, each good for at least twelve ounces of millet or flour.

*Gathering and Transmission of Intelligence:* Closely allied to the Communist military organizations are the Investigation Units. There is one of these in each village; they are subject to the control of the aforementioned Communications Officers. Members of these units take turns on duty at important points along routes of travel. Anyone coming in from the outside is met and investigated or interrogated by these persons. Besides gathering intelligence, the Investigation Units quickly transmit orders and important information onward to similar units stationed in adjoining villages.

*Communist Treatment of the People:* The Chinese intelligence agent who supplied most of the information contained in this despatch states that in general the Communists treat the people well and treat them particularly well when first coming into an area. People of the educated classes they first try to talk over to their way of thinking; if that does not work, they put them through a period of training locally. The particularly stubborn are sent away for further indoctrination—if such further training does no good they are destroyed.

(A postal employee from a Communist-controlled area of south Shansi and northern Honan more or less confirms the information contained in the preceding paragraph. The poor, he says, are treated well; the rich are persuaded to contribute money but "usually are not shot". People under 30, he says, have to a large extent been won over by the Communists through incessant meetings, propaganda and intimidation.)

*Expansion of Communist Sphere:* Since the defeat of Central Government forces in Honan during the spring of 1944, Communist units

<sup>24</sup> Not printed.



have been filtering into that province as well as into areas neighboring on it. According to several informants of Bishop Thomas Megan (leader of the Tutaotuan—a Chinese intelligence organization) small groups of Communists (the 41st and 42d Regiments of the 386th Brigade, according to one informant) have crossed the Yellow River and have filtered into the Mienchih and Loning areas west of Loyang and into the Kunghsien area east of that city. (The longitude and latitude of these places, as well as of towns subsequently mentioned in this despatch, are shown on a separate sheet which is appended hereto.<sup>25</sup>)

(Another informant says that the Communists occupy the town of Linhsien, Honan and sometimes occupy and sometimes evacuate before Japanese incursions the town of Shehsien, Honan; he also says they occupy the countryside near Siuwu, Honan. He does not, however, state whether the Communists moved into these districts of northern Honan before or after the Japanese 1944 spring offensive in that province.)

The Chinese intelligence officer (referred to as the principal source of the information in this despatch) speaks of what he describes as an attempt of the Reds to take advantage of the recent Chinese defeat in Honan—moving in forces from Shantung, Kiangsu, Hupeh and other parts of Honan—to create a large new strip of Communist territory in that part of north central China frequently spoken of as the Central Plain. The following alleged movements of Communist forces were made, he states, as parts of that plan: (1) In June units of the Communist 115th division occupied Tangshan, in northwest Kiangsu and the 11th district of western Shantung. (2) In July units of the New Fourth Army crossed the Tientsin-Pukow Railway and penetrated westward into the area of Fenghsien, Kiangsu, and Peih sien, Kiangsu. (3) Early in August troops of the 115th Division, *Chiao* Fourth Brigade, attacked Central Government guerrillas in north Kiangsu. (4) In mid-August over 3,000 men of the 25th and 27th Regiments under P'eng Hsüeh-feng crossed the Tientsin-Pukow Railway and entered the Kwei River area south of Suhsien, in northwest Anhwei. (5) In the latter part of August 5,000 Communists from the area of Kih sien and Suihsien in Honan moved southward into the area just north of Hwaiyang, Honan. At the end of the same month 7,000 men subordinate to Ch'en Kuang moved south from western Shantung into Tangshan-Siayi-Yungcheng area of north-westernmost Kiangsu and southeasternmost Honan. (6) During early September over 3,000 men under Li Hsien-nien left Hupeh and entered the Loshan-Chengyang area, east of the Peiping-Hankow line

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<sup>25</sup> Not printed.

in south Honan. (7) In mid-September Communist forces appeared in Sihwa and Fukow districts of central-eastern Honan.

If the foregoing information is essentially correct, it would appear that the preservation of the power and prestige of the Central Government, vis-à-vis the Communists, would be better served by the expending in guerrilla areas of some of the resources and effort now being expended for the maintenance in idleness of some hundreds of thousands of troops in Shensi and Kansu who are supposed to be containing the Communists within the present boundaries of their Shensi-Kansu-Ningsia Border Area. By all accounts, the Communists maintain but small forces in that Border Area and are utilizing their main forces elsewhere. It would seem that when the Central Government forces lose control of an area their loss is a double one—the main cities and transport lines are lost to the Japanese and control of the country districts is lost to the Communists.

Respectfully yours,

EDWARD E. RICE

Approved for transmission:

For the Ambassador:

GEORGE ATCHESON, Jr.

*Counselor of Embassy*

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893.00/1-1049

*Mr. Mao Tse-tung to the American Ambassador in China (Hurley)*

YENAN, January 11, 1945.

MY DEAR GENERAL HURLEY: Your courteous letter of January 7th, 1945 has been received.

The five-point proposal set forth by our party in November of 1944 was refused by the National Government. And it was extremely difficult for our party to agree to the three-point proposal of the National Government,<sup>26</sup> so we proposed that the National Government first voluntarily carry out four points including the release of political prisoners with which to prove whether or not the National Government is sincere in wanting to solve national problems on a democratic basis. Your letter proposing to hold a conference between the two parties with your personal participation in Yen-an has been received with great appreciation, but I still feel that nothing can be achieved from this conference except to inconvenience you by travelling back and forth. All the secret negotiations of the past eight years between the two parties have proved that there is not the least sincerity on the part of the National Government. I would like to ask you to be so kind as

<sup>26</sup> See Third Counterdraft by Chinese Government Representatives, November 21, 1944, *Foreign Relations, 1944*, vol. VI, p. 706.

to transfer the following proposals of our party to the National Government:

To call, in Chungking, a preparatory conference for convening a National Affairs Conference; the preparatory conference to be made up of delegates from the Kuomintang, the Communist Party and the Democratic Federation; guarantee that proceedings of the conference will be public; that the delegates will have equal standing and freedom of travel.

If the above proposals are agreed to by the National Government, General Chow En-lai will go to Chungking for discussions. We would appreciate your kind reply.

With my warm personal regards and wishes for your continued health and success, I remain,

Yours respectfully,

[Signature in Chinese]

MAO TSE-TUNG

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Nanking Embassy Files Lot F-73

*Memorandum Prepared in the Division of Chinese Affairs*<sup>27</sup>

#### POLITICAL APPRECIATION OF THE SITUATION IN CHINA

##### *a. If the Japanese Capture Kunming and/or Chungking.*

The capture of Kunming would involve the loss of the most important military base in Free China and the cutting of the supply route from India and might render the Chengtu bases untenable. The capture of Chungking would result in the liquidation of the Central Government's stronghold in Szechwan and force the Generalissimo to remove his Government to the west or northwest. Neither area is sufficiently developed or populated to support an army of any size.

These military consequences, together with the accompanying losses in personnel, maneuvering space, economic resources, industrial production, interior transportation routes, government operating efficiency and prestige which would be involved in the loss of Kunming and/or Chungking would seriously if not fatally weaken the Central Government's armies and its already precarious internal position. They would encourage disintegration in the Central forces and dis-

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<sup>27</sup> For the Joint Chiefs of Staff, undated, but about January 12; transmitted to the Ambassador in China by the Secretary of State in his instruction No. 33, February 8, which said in part that the Department hoped that this and other papers being forwarded under the same cover "may be helpful to the Embassy as indicating general lines of policy and thinking in the Department with regard to China and to matters affecting present and post-war international relations in the Far East". (893.00/2-845) For memorandum prepared in the Division of Chinese Affairs on January 9 entitled "Political and Military Situation in China in the Event the U. S. S. R. Enters the War in the Far East", see *Foreign Relations, The Conferences at Malta and Yalta, 1945*, p. 351.

affection of military elements whose complete loyalty to the Central Government has long been in doubt. They would serve to activate the dissident elements and probably consolidate them in a movement which would result in the formation of a "representative" government either through successful pressure on Chiang Kai-shek to form such a government or, as is more likely, through its establishment independently of him. The "Communists" would probably participate in such a government and in any case the weakening of the Kuomintang armies and the heterogeneous, incohesive character of other groups would make the "Communists" the dominant force in China.

*b. If the Japanese fail to capture Kunming and/or Chungking or make no attempt to do so.*

If the Japanese should attempt to seize Kunming and/or Chungking and be defeated in such an effort, the result would be a strengthening of the Generalissimo's position, as criticism of his regime has been based partially on the failure of the Central Government armies to stop any Japanese drives against objectives in Free China. Agitation by dissident elements would decrease for a time and a continuation of the present character and policies of the Government could be expected.

If the Japanese should not attempt to drive against Kunming and/or Chungking, the situation would probably continue much as it is with a gradual deterioration of conditions and of the Central Government's position, and with increasing dissatisfaction which the Generalissimo would be expected to meet with inadequate gestures of reform. No important change in the situation would be expected to come until an American landing on the China coast or the possible entrance of the Soviet Union in the war against Japan.

*c. The chances of rapprochement between the Central Government and [the Communists and?] to what extent.*

A Kuomintang-"Communist" *rapprochement* which would provide the basis for real cooperation, is believed unlikely. If Chiang should succeed in defeating Japanese drives, his recovered prestige would encourage him to maintain or even stiffen his attitude toward the "Communists", but the latter would almost certainly not be disposed to modify their terms. Conversely, a further weakening of Chiang's position, through Japanese successes or through gradual deterioration (in the event of no major Japanese efforts) would encourage the "Communists" to press for terms which the Generalissimo would stubbornly oppose. The Generalissimo will probably agree to "Communist" participation in the Government but not to a coalition government in which the "Communists" and other non-Kuomintang elements would have a real voice. Informed Chinese observers are of the

opinion that in a genuine coalition government the Generalissimo would gradually lose his position and power and that he is probably aware of this possibility.

Prospects for the conclusion of a Kuomintang—"Communist" agreement involving only the coordination of military activities through a coalition military council or through an Allied command of the armies of the two factions would probably be considerably better than prospects for a complete *rapprochement* involving full "Communist" participation in the Government, especially in the event of the Japanese capture of Kunming and/or Chungking.

*d. Possibilities for continued Chinese resistance should the Central Government fall, and for American cooperation therewith.*

It is believed that virtually all other elements in Free China would continue resistance even though the Central Government should fall. It is only within the Kuomintang Party [*sic*] that a group favoring a separate peace with Japan has been known to exist and it exists no longer. Aside from the genuine patriotism of many elements, there would be a natural desire to participate on the side which is obviously going to win the war. There is no reason to doubt, from present indications, that the "Communists" would continue their active resistance, and other important elements (such as those headed by Li Chi-shen, Hsueh Yueh and Chang Fa-kwei), including many members of the presently constituted Kuomintang, could be expected to participate actively in a movement for more effective resistance. All these groups would not only be willing to deal with Americans but would expect American supplies with other assistance.

It is to be expected, however, that a considerable period of confusion might ensue before a new government could be established and its machinery put into operation, and that during this period resistance would be disorganized and, very likely, even less effective than it is at present. Moreover, with the Japanese holding Kunming and/or Chungking, even an efficient government would find great difficulty in maintaining contact with the various resistance groups. Under such circumstances the extension of American assistance would be complicated and might have to be conducted largely on a local basis.

*e. Possibilities of dealing with elements other than the Central Government while that Government is in power.*

Under existing circumstances it would not be advisable to deal with other elements as long as the Central Government remains in power and opposed to such dealings. Such action would seriously impair our relations with the Central Government and endanger its very existence. As long as the United States continues to recognize the Central Government as the legally constituted government of China,

any attempt, under the existing military situation in China, to deal with other elements, including the arming of such elements, would be a breach of faith.

In the event, however, of American landings in areas where Central authority is non-existent, the American commanders could not be expected to deal with friendly local groups through the medium of Chungking or to await Chungking's approval of supplying them with arms. Under such circumstances, military exigencies would justify the extension of aid on an *ad hoc* basis to all local groups believed capable of and willing to fight the Japanese irrespective of such groups' political affiliations and the state of their relations with the Central Government.

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893.00/1-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 13, 1945—8 a. m.

[Received January 14—7:07 a. m.]

52. Representative of Director of Chinese Military Intelligence admitted January 10 to Naval Attaché,<sup>28</sup> that there had recently been a series of clashes on Hupeh-Anhwei border between New Fourth (Communist) Army and Central Government troops of fifth war zone. He did not indicate in any way that initiative had been taken by Communists.

Representative added that between two and three thousand New Fourth Army troops had crossed Yangtze from Anhwei, allegedly to greet American forces who they anticipated were soon to land on Chekiang coast.

HURLEY

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893.00/1-1049 : Telegram

*The Ambassador in China (Hurley) to President Roosevelt*<sup>29</sup>

[CHUNGKING,] 14 January 1945—[3 p.m.]

[141500 NCR 6810.] In continuation of my various telegrams,<sup>30</sup> I wish to give you a résumé of the latest negotiations between the National Government and the Chinese Communist Party. You will recall that following the fruitless discussions between the Government and the Communist Party at Sian and Chungking, I proceeded to Yenan and returned with a 5-point proposal for agreement signed by Mao

<sup>28</sup> Capt. Henry T. Jarrell.

<sup>29</sup> Copy of telegram from files of the Embassy in China.

<sup>30</sup> See telegrams of November 7, 16, and December 12, 1944, *Foreign Relations*, 1944, vol. VI, pp. 666, 698, and 733.

Tse-tung, Chairman of the Chinese Communist Party. General Chou En-lai, Vice Chairman of the Chinese Communist Party, returned to Chungking with me. The Government countered with a 3-point proposal<sup>31</sup> which was not acceptable to the Communist Party. Chou En-lai returned to Yen-an after having spent a month in Chungking. Chou En-lai's conferences with officials of the National Government and myself were satisfactory and it looked as though a settlement would be achieved. Chou En-lai finally conferred with the Generalissimo. I was not present at that conference. Chou En-lai told me the conference was not satisfactory. However, the Generalissimo is now prepared to make all the concessions requested in the five points except that he does not want a coalition government or a coalition military council. He will, however, give the Communists representation in the Government, in a War Cabinet and in the Military Council which, in my opinion, would have been accepted by the Communists if offered at the time Chou En-lai was here. The Generalissimo's position was that while he would be willing to give representation and recognition as a political party to the Communists he would be adverse to a coalition government. He explained to me that he would not like a situation created similar to that existing in Yugoslavia and Poland. On December 8th Chou En-lai advised me<sup>32</sup> that he was unable to return to Chungking as the National Government had rejected the Communist Party's 5-point proposal. I urged him to reconsider but on December 16th he replied<sup>33</sup> that since the Kuomintang authorities appeared to lack sincerity in the negotiations he would not return to Chungking. Upon my further persuasion for resumption of negotiations, Mao Tse-tung telegraphed on December 22nd [24th]<sup>33a</sup> that Chou En-lai was preparing for an important conference and could not come to Chungking and that he would suggest a conference with the Government representatives to be held at Yen-an and would like Colonel Barrett, our military representative at Yen-an, to be present at the conference. I sent Barrett to Yen-an. He returned on December 28 with a letter from Chou En-lai<sup>34</sup> claiming that the telegram of December 22 was inaccurate due to "mistakes in paraphrasing"; and that in effect he did not want to suggest that the Government representatives come to Yen-an or that Barrett should be present at the conference. In this letter he stated that before further negotiations could take place between the Communist Party and the Nationalist

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<sup>31</sup> Handed to General Hurley on November 21, 1944; for text, see Third Counterdraft by Chinese Government Representatives, *Foreign Relations*, 1944, vol. VI, p. 706.

<sup>32</sup> *Ibid.*, p. 723.

<sup>33</sup> *Ibid.*, p. 739.

<sup>33a</sup> *Ibid.*, p. 745.

<sup>34</sup> *Ibid.*, p. 755.

Government, the Government should first voluntarily carry out 4 additional points. At that time I was unable to account for the drastic change in position of the Communists. I subsequently discovered that the cause was within our own ranks which is explained later in this report.

I consulted the Generalissimo on the situation and on January 7th I wrote Mao Tse-tung and Chou En-lai regretting that in addition to their previous 5-point proposal they should ask the Government first to voluntarily carry out 4 new points. I stated that since General Chou could not come to Chungking, I wished to suggest to them, with the approval of the Government, that Dr. Soong, Acting President of the Executive Yuan; Dr. Wang Shih-chieh, Minister of Information; General Chang Tse-chung, Director of Political Board of Military Affairs Council, and myself would visit Yen-an to discuss a settlement and that if an agreement was reached in principle Mao Tse-tung and Chou En-lai should come to Chungking to conclude the agreement. For your information the Government was prepared to offer at the proposed Yen-an Conference the following:

1. Formation of a War Cabinet with inclusion of Communists and other non-Kuomintang men.

(This would be in fact not in name a coalition War Cabinet.)

2. Establishment of a committee of three, composed of a representative of the Government, the Communists and an American Army officer, to work out details of reincorporating the Communist troops in the National Army.

3. An American officer to have over-all command of Communist troops.

4. Recognition of the Communist Party as a legal political party.

Mao Tse-tung replied on January 11 that the Government shows no sincerity, that, in future, negotiations should be conducted in public and suggesting the calling of a National Affairs Conference, the preparatory conference to be made up of delegates from the Kuomintang, the Communists and the so-called Democratic Federation, that the proceedings of the conference shall be made public and that the delegates should have equal standing. If the proposal were agreed to in advance by the National Government, Chou En-lai would come to Chungking for discussions in the National Convention.

Since the Generalissimo had already on New Year's Day announced the calling of a National Assembly for the adoption of a constitution this year, this fresh condition coming on top of the original five points and the subsequent four points, the Generalissimo could not entertain.

Since my arrival in China, in accordance with your policy, I have exerted my utmost to help bring about Chinese national unification.



The Generalissimo was at first cold to the plan but after your suggestions the Generalissimo has shown himself ready to grant concessions to the Communists far beyond what he had been willing to grant in the past. He is now favorable to unification, reformation and agreement with the Communists.

I had a meeting with the Generalissimo this morning to discuss the Communist reply. He agreed that with or without Communist participation he will immediately take steps to liberalize the Government in spite of the war situation. He is considering with members of the Government the announcement next Monday of the formation of a War Cabinet with inclusion of representative members of other parties besides the Kuomintang. He intends to invite the Communists to participate in it disregarding the latest rebuff from them. By means of the War Cabinet he intends to start liberalizing and cleansing the Government even before the convocation of the National Assembly and the adoption of a constitution, a measure which I consider a substantial step forward in the organization of a stable, unified and democratic government in China. This program has one weakness. It gives the Communists what they have demanded but it does not require submission of Communist troops to the National Government which I had provided in the five point agreement. Therefore during the reformation of the Government and after reformation there would still be the threat of civil war by the armed Communist Party.

I have heretofore recited to you the elements which constitute the opposition to the unification of China. Briefly again they are:

1. The standpat element in the Kuomintang Party;
2. Serious opposition in the Communist Party;
3. The opposition of the representatives of all of the imperialist governments;
4. Dr. Soong was not favorably inclined in the beginning but is now wholeheartedly in favor of an agreement with the Communists. He would like to have credit for having avoided civil war and unified China.
5. In addition to these, we have had constant opposition from some of our own diplomatic and military officials who sincerely believed that the Chiang Kai-shek Government must fall.

We had overcome all of these elements of opposition when the Communists walked out on us. It has taken from the 1st of January until now to find the fundamental cause of the break. Here it is. During the absence of General Wedemeyer from headquarters, certain officers of his command formulated a plan for the use of American paratroops in the Communist-held area. The plan provided for the use of Communist troops led by Americans in guerilla warfare. The plan was

predicated on the reaching of an agreement between the United States and the Communist Party, by-passing completely the National Government of China, and furnishing American supplies directly to the Communist troops and placing the Communist troops under command of an American officer. My directive, of course, was to prevent the collapse of the National Government; sustain the leadership of Chiang Kai-shek; unify the military forces of China, and, as far as possible, to assist in the liberalization of the Government and in bringing about conditions that would promote a free, unified, democratic China. The military plan as outlined became known to the Communists and offered them exactly what they wanted, recognition and lend-lease supplies, for themselves and destruction of the National Government. If the Communists, who are an armed political party, could succeed in making such arrangement with the United States Army, it would be futile for us to try to save the National Government of China. While I had some inkling of the plan I did not know it had been presented to the Communists until that was made apparent by the Communists applying to Wedemeyer to secure secret passage for Mao Tse-tung and Chou En-lai to Washington for a conference with you. They asked Wedemeyer to keep their proposed visit to you secret from the National Government and from me. I might interpolate here that Wedemeyer has my confidence and I have his. We are cooperating completely. The Communists are not yet aware that I know of their effort to bypass me and go directly to you. Our present difficulties with the Communists were brought about by an American plan for the unification of American and Communist forces without passing through the National Government of China. With Wedemeyer's able assistance, we are clearing up the situation but we have not yet advised the Communists that I am familiar with the military plan or with their attempt to bypass the National Government of China and me and go directly to you. Having discovered the real reason for the change of attitude of the Communists toward negotiations with the National Government and toward me, I will use every effort to continue negotiations until we have convinced the Communists again that they cannot use the United States in their effort to supplant the National Government of China. Notwithstanding all this, I am still in favor of every concession that we can get from the National Government for the participation in that Government by the Communists.

I, therefore, suggest the following program. In your heralded forthcoming meeting, secure the approval of Churchill<sup>35</sup> and Stalin of your plan for:

1. Immediate unification of all military forces in China and
2. A post-war free, unified, democratic China. When you have

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<sup>35</sup> Winston S. Churchill, British Prime Minister.

secured that agreement we will be able to place in your hands complete plans for the unification of the military forces of China; for the recognition of the Chinese Communist Party as a legal political party; for representation of all parties in the administration of the Chinese Government; for the liberalization of the Chinese Government; for the promotion of democratic processes and the establishment of fundamental individual rights and the reconstruction of a free, united, democratic China. We should then offer a meeting with you to both Chiang Kai-shek and Mao Tse-tung on the condition that they must, prior to the meeting, reach an agreement between themselves for the unification of China which will be promulgated when they meet you.

The overall of the military situation indicates that the Japanese offensive capabilities remain as they were a month ago. Wedemeyer feels that the success of MacArthur<sup>36</sup> will act as a deterrent to an immediate, strong, westward offensive in China. This gives Wedemeyer time for changes of strategy and tactics and reorganization and reinforcement of the defenses of Kunming and Chungking areas. Wedemeyer is doing a first-class job both in the military field and in his relations with Chiang Kai-shek and the Government.

I am sending this report to you but I have no objection to giving it to the State Department if you approve. I have complete confidence in Stettinius but we have been reading and hearing so much about the reorganization of the State Department and the leaks that have been and are occurring that I thought best to send this to you so that it would enjoy the protection that my messages have always received from the White House. If you think best not to send this report to the State Department, I hope you will let Stettinius read it.

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893.00/1-1845 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 18, 1945.

94. Representative Mansfield, in a speech before the House on January 16<sup>37</sup> said that Chiang Kai-shek is weak in many respects but remains the only leader with sufficient prestige to carry China through the war. "We are committed to Chiang Kai-shek and we will help him to the best of our ability. The decision, though, rests not on our shoulders but on the generalissimo's. He and he alone can untangle the present situation, because on the basis of what he has done and in spite of some of the things he has done, he is China". Among Chiang's acts which had "disastrous results", Mansfield said, were (1) employment of some 300,000 troops to blockade Communists, (2)

<sup>36</sup> Gen. Douglas MacArthur, Supreme Commander, South West Pacific Area.

<sup>37</sup> *Congressional Record*, vol. 91, pt. 1, p. 277.

allowing Chinese military strength to deteriorate through inability to mobilize China's resources, (3) failure to check hoarding, inflation and merchant-landlord profiteering, and (4) failure to improve condition of peasantry with regard to high rents and interest rates. On the other hand he is the one man who can make Chinese independence and unity a reality. His faults are understandable and no more uncommon than faults of other leaders of the United Nations. The seriousness of China's situation has brought home to Chiang need for reforms.

Mansfield said Kuomintang is daily losing favor in China due to fear of the army and the attitude of tax collectors. There is more democracy in Communist territory than in other areas of China. "It appears to me that both the Communists and the Kuomintang are more interested in preserving their respective parties than they are in carrying on the war against Japan. Each party is more interested in its own status because they both feel that America will guarantee victory".

STETTINIUS

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740.0011 P.W./1-2045

*The Vice Consul at Chengtu (Service) to the Ambassador in China (Hurley)*<sup>38</sup>

No. 1

CHENG TU, January 20, 1945.

SIR: I have the honor to submit a report based on information which I recently obtained at Kunming with regard to an understanding which is reliably stated to exist between certain provincial leaders on the question of future cooperation with the National Government in military action against the Japanese. In view of the confidential contents of this despatch, and the personal danger to which my principal source of information would be exposed if his identity became known to the Chungking authorities, his name is being withheld for the present. Because of the potential military significance of the movement which was described by my informant, I placed him in touch with a responsible U. S. Army officer at Kunming who has reported the results of their interview to the Commanding General, China Theater.

*Summary:* The principal provincial warlords in Free China have reached an agreement not to use their troops against the Japanese in the event of further enemy offensive action. The warlords' decision is the result of their conviction that the Generalissimo intends to continue to withhold American military equipment from distribution to

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<sup>38</sup> Copy transmitted to the Department by the Embassy in China without covering despatch on February 14; received February 26.

provincial forces, and, on the other hand, is determined to destroy these forces by using them in the front lines against the enemy. The most influential among the provincial leaders are P'an Wen-hua (Szechuan) and Lung Yun (Yunnan); the former has taken the initial step of providing an individual at Kunming with an officially sealed letter authorizing him to approach Allied military authorities on the matter of supplying his troops with modern weapons. It is the sincere conviction of this individual (my source) that the provincial troops, if equipped by the American Army, can be persuaded to accept American leadership and will shoulder their share of fighting against the Japanese. While this move is an obvious effort on the part of provincial leaders to obtain from the Americans equipment which they cannot receive from the Generalissimo, it is also indicative of the military and political demoralization which saps China's strength today. *End of Summary.*

(I present below the summarized information given me by my source; my own comments and observations are enclosed in parentheses.)

Opposition in China to the Generalissimo has increased rapidly during the past two years, and has been augmented greatly since the Honan, Hunan and Kwangsi military debacles. While there are many who hold no brief for the Chinese Communists, they deplore Chiang's determination to hold his best troops in idleness by blockading the northwest, and they blame Chiang for having failed to come to an agreement with the Reds to permit united action by all Chinese forces, without reference to political affiliation, against the common enemy. At present the Generalissimo enjoys the confidence and loyalty of only a small inner circle of followers; the overwhelming majority of China's leaders will welcome his fall. Many of the latter will take no action against Chiang until his fall is assured, while others are preparing to do what they can to overthrow him. The principal provincial leaders, after prolonged negotiation, have reached an understanding whereby they will not permit their troops to fight, and thereby suffer destruction at the hands of, the Japanese. Their decision is to take their troops to inaccessible mountainous regions in their provinces and to hold them in readiness for the post-war maintenance of their established positions of provincial leadership. They are convinced that without their support—suddenly withdrawn without warning at the crucial moment—Chiang's troops will be defeated by the enemy and Chiang himself will be overthrown. If necessary, they will use their troops to bring this about after Chiang's armies are defeated by the Japanese. The attitude of the provincial leaders is due in part to the unwillingness of the Generalissimo to equip provincial troops with American lend-lease weapons, and in part to his established practice of strengthening his political position by feeding the troops of China's provincial leaders—witness Hsueh Yueh's fate—into the Japanese

“meat-grinding machine”, while conserving his own national troops until the day when the war is won for him by the Allies and his potential political enemies are stripped of their military and political capital—their soldiers—and he is free to challenge the Chinese Communists without fear of attack from the rear.

[Here follows detailed report.]

*Conclusion*

My informant’s approach represents an effort on the part of a coalition of warlords to obtain American equipment for their troops on the threat that they will not participate in action against the Japanese if such equipment is not forthcoming. P’an’s letter to my informant, sent through Lung Yun, may be considered evidence that the matter is not a figment of my informant’s imagination—the contents of the letter, if made known to the Chungking authorities, would be sufficient to cause P’an serious trouble with the Generalissimo.

The existence of a definite understanding between Lung, P’an and others has been communicated to me several times recently by leading representatives of the Democratic League, who insist that the Chinese Communists are included in the coalition. They predict that a full-fledged movement against the Generalissimo will come into the open within a short time.

Respectfully yours,

RICHARD M. SERVICE

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893.00/1-1049

*The American Ambassador in China (Hurley) to Mr. Mao Tse-tung*

CHUNGKING, January 20, 1945.

MY DEAR CHAIRMAN MAO: Thank you very much for your letter of the 11th. I regret that you rejected my suggestion for the holding of a conference at Yen-an between the official representatives of the National Government and the official representatives of the Communist Party. I am convinced that the National Government is now ready to make such important and concrete concessions as to make a settlement really practicable.

I learn that only last Monday the Government decided on creating within the Executive Yuan an organ with extensive powers along the lines of what is known abroad as a “war cabinet”, and to include in its personnel non-Kuomintang men. It is the intention of the Government to invite the Chinese Communist representatives to join this important policy making body.

It may well be that this measure together with the other measures that have been offered by the National Government may not be sufficient to satisfy the Chinese Communists but I think it would be a

great pity if such far reaching Government proposals were rejected out of hand without due consideration.

As a friend of China, I suggest that you send General Chow En-lai, or any other representative you may select, to Chungking for a brief visit to talk matters over with the Government. It need not take him long; if he is busy even two or three days would be sufficient.

I am sending Col. de Pass<sup>39</sup> to Yen-an with a plane with the hope that General Chow will come with him to Chungking. The same plane will be held in readiness for his return to Yen-an.

With kind personal regards [etc.]

PATRICK HURLEY

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893.00/1-1049

*Mr. Mao Tse-tung to the Ambassador in China (Hurley)*

YENAN, January 22, 1945.

DEAR GENERAL HURLEY: Your kind letter has been received. General Chow En-lai is being sent to Chungking to represent the Chinese Communist Party to negotiate with the National Government.

With my best wishes for your continued good health, I remain,

Yours respectfully,

[Signature in Chinese]

MAO TSE-TUNG

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893.00/1-2345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 23, 1945—noon.

117. The President has let me read your exceedingly interesting telegram of January 14, No. 141500 NCR 6810,<sup>40</sup> and I want you to know how much we appreciate the constructive work that you are doing. Appropriate steps have been taken to explore the difficulties you have had with our own military subordinates.

GREW

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893.00/1-2345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 23, 1945.

124. In response to an inquiry at the press conference this afternoon regarding report that an agreement had been reached between

<sup>39</sup> Col. Morris B. de Pass, Military Attaché in China.

<sup>40</sup> *Ante*, p. 172.

the Communists and the Kuomintang, the Acting Secretary made the following statement:

“The Department has received no confirmation from our Embassy at Chungking of the report to which you refer of a Kuomintang-Communist agreement. It would be very gratifying to us to learn of the consummation of such an agreement. We earnestly desire the development of a strong and united China. To that end this Government has been lending its best efforts to be of service in appropriate ways, such as through the exercise of friendly good offices when requested by the Chinese, through direct military assistance in the prosecution of the war against Japan and through assisting China's economy to survive the strain of war.”

GREW

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893.00/1-2345

*The Vice Consul at Chengtu (Service) to the Ambassador in China (Hurley)*<sup>41</sup>

No. 2

CHENG TU, January 23, 1945.

SIR: I have the honor to report the substance of an interview on January 22, 1945, with a representative of the Democratic League, Mr. Chu Yun-shan, who called upon me to renew an acquaintance which began at Kweilin about eight months ago. Mr. Chu devotes most of his time to organizational work on behalf of the League, and is currently engaged with principal League leaders here in drawing up the League's final platform for a coalition government. He stated that this work will be completed in about two weeks, when he will journey to Chungking to confer with liberal leaders there. Mr. Chu's identity with the League should be treated in strictest confidence.

Mr. Chu shares the confidence of Dr. Lo Lung-chi in Kunming that a coalition government will soon be formed which will oust the Generalissimo and peaceably take over the administration of national affairs. He stated that the following leaders have already written to Marshal Li Chi-shen at Chaoping formally pledging themselves to united action: Yen Hsi-shan, Liu Wen-hui, Teng Hsi-hou, P'an Wen-hua, Feng Yu-hsiang, Lung Yun, Hsueh Yueh, and Yu Han-mou. He asserted that Dr. Sun Fo is being kept informed and is following all developments closely. The League is maintaining intimate liaison with the Chinese Communist Party representatives in Chungking. In the opinion of Mr. Chu, matters are proceeding smoothly and the coalition group is at present chiefly concerned with so perfecting its plans that the possibility of civil war will be eliminated when the movement presents its demands to the Central Government.

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<sup>41</sup> Copy transmitted to the Department by the Embassy in China on February 5 without covering despatch; received February 16.



In commenting on the political and military situation in Szechuan, Mr. Chu said that provincial military leaders have huge stores of arms on hand, most of which are serviceable. Should the Japanese make a move to invade the province before the formation of the coalition government these leaders (P'an, Teng, and Liu in Sikang) will immediately demand the establishment of such a government; in the event of refusal or hesitancy on the part of the Generalissimo they intend to mobilize and arm able-bodied men for action against the Japanese, and to disarm those Central Government troops in the province who do not join their movement. Mr. Chu stated that there are more than 100,000 troops under the control of P'an Wen-hua in this province; Liu Wen-hui in Sikang commands two divisions. Central Government forces in Szechuan total 40-50,000, according to my informant. General Chang Ch'un's efforts through intrigue to sow dissension among the Szechuan warlords has only succeeded in enhancing his unpopularity, said Mr. Chu, who asserted that the counter-intelligence organization of the Teng-P'an clique devotes much of its energy to embarrassing the operations of Chungking special service agencies.

When questioned concerning the democratic convictions of provincial warlords who are conspiring with the League to bring about the downfall of the Generalissimo and the establishment of a coalition government, Mr. Chu replied that the League is not unaware of the past records and selfish motives of these leaders. However, the League is confident that they have sincerely committed themselves to a democratic form of government in preference to the *status quo*. Indicating the concern of the League with this matter, Mr. Chu stated that League representatives have been active among divisional leaders of provincial forces, and have succeeded in enrolling many of these as members. As one of the principal objectives of the coalition is the reformation and strengthening of the army, Mr. Chu opined that recalcitrant provincial leaders in the post-war period can be handled by force if necessary.

In reply to a question as to the connection of Li Tsung-jen with the coalition movement, Mr. Chu said that Li is sympathetic, but will take no action to assist the coalition group at this time. He keeps in close touch with developments through his representative with Marshal Li Chi-shen, General Hia Wei, former vice commander-in-chief of the Fourth War Zone under Chang Fa-kuei. League leaders do not consider Li Tsung-jen a significant element in the movement now or in the future; Pai Chung-hsi even less so.

My caller indicated that the League is deeply interested in learning the attitude of the United States Government toward the coalition

movement, and in knowing what steps might be taken by the movement to obtain the sympathy and support of the United States Government during and after the establishment of a coalition government. I informed him that these were matters which could not be discussed by the Embassy's most junior representative. It may be anticipated that representatives of the Democratic League at Chungking will attempt to approach the Embassy informally in this connection, if such an approach has not already been made.

Respectfully yours,

RICHARD M. SERVICE

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893.00/1-2445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 24, 1945—11 a. m.

[Received January 24—9:45 a. m.]

107. President has advised me that you have read my telegram to him dated 14 January. Since the negotiations between the National Government and the Communists were terminated, I have continued communications with Mao Tze-tung, Chairman of the Central Committee of the Chinese Communist Party. On January 20, I wrote him, with the knowledge and approval of the Generalissimo and General Wedemeyer, telling him of fundamental changes that are contemplated in the National Government. Among other things in that letter I said to Mao Tze-tung:

“It may well be that this measure together with the other measures that have been offered by the National Government may not be sufficient to satisfy the Chinese Communists but I think it would be a great pity if such far reaching Government proposals were rejected out of hand without due consideration.

As a friend of China I suggest that you send General Chou En-lai or any other representative you may select to Chungking for a brief visit to talk matters over with the Government. It need not take him long; if he is busy, 2 or 3 days would be sufficient.”

On 23 January I received the following telegram from Mao Tze-tung:

(Paraphrase) “Received your kind letter. Being sent to Chungking is General Chou to negotiate with Government. Eleven o'clock Wednesday 24 January '45 expected time of departure. Trust you are in good health.”

This seems to indicate that after 6 weeks of effort we have succeeded in reopening negotiations. Do not expect too much. We will do our best. I will keep you advised of progress. Please inform the President.

HURLEY

893.00/1-2445

*The Counselor of the Chinese Embassy (Chen) to the Chief of the Division of Chinese Affairs (Vincent)*

WASHINGTON, January 24, 1945.

DEAR MR. VINCENT: I am enclosing a translation of a resolution recently adopted by the Central Secretariat of the Chinese Communist Party for your private reference.<sup>42</sup>

With best regards [etc.]

C. M. CHEN

[Enclosure]

The Chinese Communist Party welcomes American emissaries, extends good feelings to the United States, and accepts the demand to establish military bases in the northwest. But these activities should not be taken to mean that the Party does not continue to regard the United States as a capitalistic and imperialistic nation. On account of the fact that we inherit the orthodoxy of Marx and Engels to launch a class revolution of the policy of workers and farmers, we oppose all forms of imperialism. The policy of cooperation with the United States on the part of the Party is a temporary measure to obtain national interest and to achieve victory over Japan. This should not be taken to mean that the Party has surrendered to the United States.

893.00/1-1049

*Statement by Chinese Government Representative*<sup>43</sup>

Besides the three points contained in the previous Government proposal, the National Government is prepared to take the three following measures;

(1) The Government will set up, in the Executive Yuan, an organ whose nature resembles a war cabinet, with a membership of from seven to nine men, to act as the policy-making body of the Executive Yuan. The Chinese Communist Party and other parties will be given representation on this organ.

(2) The Generalissimo of the National Military Council will appoint two Chinese army officers (of whom one will be an officer of the

<sup>42</sup> Copies of this communication and its enclosure were transmitted to the Ambassador in China by the Department in instruction No. 22, January 31, with the following comment: "While this 'resolution' has been received here with the greatest reserve, the Department believes that the Embassy will find it of interest and may wish to obtain comment thereon from one of the Embassy Secretaries, on detail to U. S. Army Headquarters, who has visited Yenau."

<sup>43</sup> Given to General Hurley by Wang Shih-chieh, Chinese Minister of Information, on January 24.

Chinese Communist troops), and one American army officer to make recommendations regarding the reorganization, equipment and supplies of Chinese Communist troops, for approval by the Generalissimo of the National Military Council.

(3) The Generalissimo of the National Military Council will appoint one American army officer as the immediate commander of Chinese Communist troops for the duration of the war against Japan. The said immediate commander of Chinese Communist troops shall be responsible to the Generalissimo of the National Military Council. He shall insure the observance and enforcement of all Government orders, military or non-military, in the area under his control.

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893.00/1-2745: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 27, 1945—7 p. m.

150. For your information in connection with our statement issued January 23 in regard to Communist-Kuomintang relations,<sup>43a</sup> we have for background guidance to members of the press endeavored to explain away some misunderstandings and unintentional misinterpretations regarding the statement. We have made it clear that the statement was occasioned solely by an inquiry from one of the correspondents; that we had no "recent" information regarding the course of negotiations; that there were no "ulterior" motives prompting the statement. With regard to the phrase "good offices" we have explained that it was used in a general rather than a technical sense.

Correspondents and press in general have expressed themselves as favorably impressed with the statement, considering it timely and appropriate.

GREW

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893.00/1-3145

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent)*<sup>44</sup>

[WASHINGTON,] January 31, 1945.

There is attached a very useful memorandum prepared by Mr. Perkins<sup>45</sup> with regard to advocated reforms in China. I asked Mr. Perkins to prepare the memorandum with a view to having readily available information to answer inquiries regarding what *Chinese* consider to be needed reforms. You may also find the memorandum useful in this respect.

<sup>43a</sup> See telegram no. 124, January 23, to the Ambassador in China, p. 181.

<sup>44</sup> Addressed to the Director of the Office of Far Eastern Affairs (Ballantine) and the Under Secretary of State (Grew).

<sup>45</sup> Troy L. Perkins of the Division of Chinese Affairs.

It is worthy of note that the political reforms advocated by non-Communist Chinese organizations and individuals are in a very large measure the same reforms that the Chinese Communist Party advocates.

J[OHN] C[ARTER] V[INCENT]

[Annex]

*Memorandum by Mr. Troy L. Perkins of the Division of  
Chinese Affairs*

REFORMS IN CHINA WHICH HAVE BEEN ADVOCATED BY PROMINENT  
CHINESE (PERSONS AND ORGANIZATIONS)

Abbreviations. PPC: People's Political Council,  
FDP: Federation of Democratic Parties,  
CPA: Constitution Promotion Association.  
(For individuals and newspapers mentioned, see  
Appendix at end.)

I. *Political.*

In general, more democracy in China *now*, the crux of all problems and in particular the immediate war situation. [FDP, CPA, *Ta Kung Pao*, some Kuomintang members in private conversations, Sun Fo, Feng Yu-hsiang, General Yang Chieh, General Li Chi-shen, General Liu Wen-hui, Huang Yen-pei, K. P. Chen]<sup>45a</sup>

1. End of political tutelage and commencement of putting into effect of constitutional government; recognition of civil liberties. [PPC resolution, FDP, Sun Fo, Huang Yen-pei]

2. Granting of real power to People's Political Council; reorganization of local assemblies; calling of the National Congress during the war. [PPC members, FDP, *Ta Kung Pao*, K. P. Chen]

3. A wider basis for the present government; a coalition for war, with representation of minority groups, including Communists and all anti-Japanese resistance elements. [FDP, CPA, Sun Fo]

4. Breaking up of the oligarchy, of one-party domination and family rule; dismissal of reactionary fascistic and corrupt leaders in the Government. [Sun Fo, Madame Sun Yat-sen, Quo Tai-chi, K. P. Chen, *Yunnan Daily News*]

5. Freedom of speech, press, assembly, and person. [FDP, academic leaders at Kunming, *Ta Gung Pao*, Yunnan press, Sun Fo]

6. Liberalizing of censorship. [Sun Fo, Quo Tai-chi, *Yunnan Daily News*]

<sup>45a</sup> Brackets in this memorandum appear in the original.

7. Elimination of repressive bureaucratic control of education; relaxation of thought control of students and professors. [FDP, Sun Fo]

8. Curbing of activities of secret police and Party organizations of fascist type. [Sun Fo, General Yang Chieh, academic leaders at Kunming]

9. Release of political prisoners. [FDP, CPA]

10. Abolition of special services and labor camps. [FDP]

11. Clean-up of official corruption. [PPC members, FDP, *Yunnan Daily News*, Madame Sun Yat-sen, General Li Chi-shen]

12. Reduction of bureaucratic agencies and surplus Government personnel. [PPC members]

13. Improvement in treatment of public functionaries [PPC resolution]

14. Wider utilization of counsel and leadership of starving intellectual classes and adequate provision for their livelihood. [PPC members, FDP]

15. Settlement of Kuomintang-Communist differences. [FDP, Quo Tai-chi, K. P. Chen, Madame Sun Yat-sen]

16. Improved relations with the Soviet Union. [PPC resolution, FDP, Chiang Kai-shek, Sun Fo, General Yang Chieh, *National Herald* and *China Times*]

## II. *Military.*

In general, the reorganization of Chinese armed forces and changes in their leadership to enable more effective prosecution of the war. [PPC, FDP, Feng Yu-hsiang, General Yang Chieh]

1. Reform of conscription methods. [PPC resolution, Chiang Kai-shek, Chiang Mon-lin, General Li Chi-shen, Huang Yen-pei, *National Herald*, academic leaders]

2. Better treatment of troops: provision of adequate food and medicines as a basic minimum; better troop training methods. [PPC resolution, FDP, *Ta Kung Pao*, Chiang Kai-shek, Chiang Mon-lin, Feng Yu-hsiang, General Yang Chieh, General Li Chi-shen]

3. Able and more honest officers. [FDP, Chiang Mon-lin, Feng Yu-hsiang]

4. Punishment of incompetent Generals. [FDP, PPC petition with 103 signatures reportedly called for punishment of General Tang En-po]

5. Disposition of troops for military rather than political reasons. [General Yang Chieh]

6. Ending of comparative inactivity of Chinese forces. [Yunnan press]

7. Utilization of armies now blockading the Communists to fight the Japanese. [FDP, Madame Sun Yat-sen]

8. Closer cooperation with American forces. [Chiang Mon-lin]

9. End to false communiqués; franker information on the war from official spokesmen. [*Ta Kuna Pao*]

### III. *Financial—Economic.*

1. "Economic equality". [*Ta Kung Pao*]

2. Elimination of corruption and inefficiency in tax collection, especially taxes in kind and food collection. [PPC members, FDP, General Li Chi-shen]

3. Put an end to profiteering, hoarding and speculation. [PPC resolution, FDP, Chiang Kai-shek]

4. Curb lavish expenditures by wealthy persons and by organizations having no connection with the war. [PPC resolution, FDP]

5. Stop squandering of Government funds on useless bureaucracy and excess personnel. [PPC members]

6. Institution of measures to control prices and curb inflation. [FDP, Chiang Kai-shek, Sun Fo, academic leaders]

7. Enactment and enforcement of higher income and excess profit taxes, including possibly a capital levy. [Sun Fo, academic leaders at Kunming, Yunnan press]

8. Government borrowing of foreign currencies belonging to wealthy Chinese. [Yunnan press, academic leaders at Kunming]

9. Officials of Ministry of Finance not to be allowed control of Government banks. [PPC resolution]

10. Agrarian reform: reduction of extortionate rents and usurious interest rates levied on the farming classes; check the growing concentration of land holding; end military extortions against farmers. [Sun Fo, Madame Sun Yat-sen, Liang Shu-ming]

#### APPENDIX

Sun Fo (son of Sun Yat-sen), President of the Legislative Yuan.

Feng Yu-hsiang—revolutionary military leader; member, State Council and National Military Council.

General Yang Chieh—formerly Deputy Chief of Staff to Generalissimo, President of Central Military Academy, and Ambassador to Soviet Union.

General Li Chi-shen—independent military and political leader in Southwest; former Inspector General of Military Training.

General Liu Wen-hui—Chairman, Sikang Provincial Government.

Dr. Huang Yen-peï—prominent educator; head of Vocational Education Group of FDP.

K. P. Chen—member, Central Planning Board; head of Shanghai Commercial and Savings Bank; former chairman of Foreign Trade Commission.

Quo Tai-Chi—member, Supreme National Defense Council; formerly Minister for Foreign Affairs and Ambassador to Great Britain. *Yunnan Daily News* (Kunming) organ of Yunnan Provincial Government.

*Ta Kung Pao* (independent) China's best-edited and most influential newspaper.

Academic leaders at Kunming—Professors at Peking, Tsinghua, and Nankai Universities (Southwest Associated University).

*National Herald* (Chungking)—organ of Foreign Office.

*China Times* (Chungking) controlled by H. H. Kung interests.

Chiang Mon-lin—President of Chinese Red Cross; President of Peking University; former Minister of Education.

Liang Shu-ming—head of Rural Rehabilitation Group of F'DP.

893.00/1-1049

*Memorandum by the Counselor of Embassy in China (Atcheson) to the Ambassador in China (Hurley)*

[CHUNGKING, January 31, 1945.]

## I

The comment offered here is comment on the draft telegram<sup>46</sup> merely as a report, which is the immediate task at hand, and we leave for later discussion the question of suggestions in regard to the negotiations.

We think that Part I of the telegram is clear and precise (with the exception of one portion which will be discussed hereafter) and will provide the Secretary of State with a valuable background picture of the course of developments. We have not endeavored, as we usually do with draft telegrams, to work over the language for the sake of seeking greater conciseness or of condensing because we feel that it will be useful to the Secretary to have as full a description of the negotiations as it is possible to provide him. We feel too that, because of your intimate connection with and knowledge of this matter, you can draw in your own words a picture which might be made confused rather than clarified if we endeavor to suggest any radical changes in phraseology.

On page 3, line 14 we suggest "bi-party" and "multi-party" instead of "bi-partisan" and "multi-partisan". The same suggestion is made in regard to page 6, line 19.

In the last paragraph on page 8 we suggest eliminating the numerals in parentheses for the sake of clarity. For example, the sentences following (2), (3), (4) and (5) do not seem to be matters on which you have insisted in your negotiations with the Communists whereas the clause following (1) does seem to be such a matter.

<sup>46</sup> For telegram as sent, see No. 141, *infra*.



We would question the statement in the next to the last paragraph of the telegram that there is opposition among our own *diplomatic* representatives. There is no one on the staff who believes we should by-pass the National Government in dealing with the Communists. From a recent conversation with Mr. Service (who is not substantively a member of the Embassy staff) I am convinced that he does not think we should by-pass the National Government in dealing with the Communists.

## II

As regards comments about the staff in the preamble:

We would question the penultimate sentence of the second paragraph. We have not heard anyone on the staff express an opinion that your conduct of the negotiations is an unusual and unjustified departure from State Department procedure. We do not believe that any member of the staff holds such opinion. There is no member of the staff that I know of who has not whole-heartedly hoped for the success of your negotiations and the benefit to the war effort which will obviously result therefrom.

We are at this moment endeavoring, by making these comments, to vitiate the second sentence of the third paragraph that there is no process in the Embassy through which reports can be passed for consultation on composition, etc.

The preamble is very damning to the staff. If I were in the Department I would imply from your comments that you feel that the staff is of little, if any, use and should be replaced. We hope that this is not the interpretation which you had in mind. But if it is we do not cavil about it; we feel that we are not in good position to offer comment.

## III

We feel that your statement of the case for putting forth every feasible effort to bring unity to China and unity to the military forces of China to assist in defeating the Japanese is excellent. We feel also, from what we have heard and observed of the situation, that your statement of the position and attitude of the Kuomintang and the Communists toward each other is also excellent and succinct. We are sure that the Secretary will be very pleased indeed to have this outline of the negotiations and will consider it to be a clear, forthright and generally excellent account of them.

(This memorandum has been written in cooperation and consultation with Messrs. Ringwalt, Yuni, Boehringer and Freeman.<sup>47</sup>)

G[EORGE] A[TCHESON, JR.]

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<sup>47</sup> Arthur R. Ringwalt, William E. Yuni, and Carl H. Boehringer, Second Secretaries; and Fulton Freeman, Third Secretary.

S93.00/1-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>48</sup>

CHUNGKING, January 31, 1945—6 p. m.

[Received February 1—2:20 a. m.]

141. Preamble. This Embassy is not equipped to make reports of the nature that I am now entering upon. The Embassy has but one stenographer. America has never heretofore attempted to use its good offices in actual negotiations to bring about a unification of the military forces of China. We have official personnel who have communicated with, observed and reported on the Communists but we have no personnel who have negotiated with the Communists for the unification of the Communist and National forces. For that reason we have no official personnel in the Embassy, except myself, prepared to make either decisions or reports on the subject which I am covering. I make this statement not as criticism, but as a statement of fact.

We are fighting a relentless enemy. That, in my opinion, justifies our action in attempting to unify the forces of China to help us defeat the enemy. A unification of the military forces of the Communist Party and the National Government would have a battle effect, equal at least, to one fully equipped American Army. The result of unification of the Chinese military forces is worthy of much more consideration than it has heretofore received from America. As I have heretofore reported to you, my negotiations with the Communists have been with the advice, approval and direction of both the Generalissimo and the American Commander, General Wedemeyer.

These reports are being dictated by me to any [*an?*] Army stenographer. As you know, I am conducting meetings of the representatives of all American Agencies in China with a view of eliminating overlapping and conflicts. We hope to be able to coordinate American authorities in China. I am conducting regular military conferences with the American military commander and the Generalissimo. I am also carrying on the routine duties of Ambassador. It is difficult for me personally to attend so many conferences and also to do my own reporting. I have wired the Department suggesting a setup for this Embassy which I hope will have attention as early as convenient.<sup>49</sup>

Part 1.

As indicated by my message to you No. 107, January 24, 1945, conversations have been resumed between the National Government and the Chinese Communist Party. It should be frankly stated, however,

<sup>48</sup> This telegram is part 1 of an extensive report. Part 2 is telegram No. 180, February 7, 8 a. m., p. 205; part 3 is telegram No. 238, February 17, 7 p. m., p. 220; part 4 is telegram No. 242, February 18, 11 a. m., p. 223.

<sup>49</sup> Telegram No. 53, January 13, p. 31.

that in the very first meeting both sides stated with great emphasis the obstacles to any practical agreement between the two factions. Dr. Soong for the Government and Chou En-lai for the Communists are both able debaters.

At this point, I begin giving background that will provide correct outline of my participation in and the progress of the conversations between the National Government and the Communist Party. I had been talking to the Generalissimo at periods during the Stilwell controversy<sup>50</sup> of the necessity of uniting China's military forces so that instead of fighting or watching each other the forces of the National Government and those of the Chinese Communist Party could be united to drive the Japanese from China. I was advised that the crimes committed by the Communists were so grave that reconciliation seemed impossible although the Generalissimo said he was willing for me to negotiate with the Communist Party leaders in an effort to bring about unity.

On September 11, 1944, I received a telegram<sup>51</sup> from General Chu Teh, Commander-in-Chief of the Chinese Communist troops, inviting me, on behalf of the Central Committee of the Chinese Communist Party and the New Fourth and Eighth Route Armies of Communist troops, to go to Yen-an, in the Communist area, for a personal investigation and a visit with the Communist leaders. I immediately made this invitation known to the Generalissimo. For a number of reasons he wished me to postpone the visit but he did not decline to permit me to meet with the Communist leaders. I then began rather extensive work with a committee which had been appointed by the Generalissimo and the National Government to confer with the Chinese Communist leaders. The members of this committee were Dr. Wang Shih-chieh, now Minister of Information, and General Chang Tze-chung, Director of Political Training of the National Military Council. I found these two gentlemen were committed to the proposition that China must remain under one party rule, according to the idea of Dr. Sun Yat-sen, until a period of tutelage would make it ready to support a democratic government. They were of the opinion that the time had not arrived to institute a bi-party or multi-party government. After much work with these gentlemen, with Dr. Soong, Minister for Foreign Affairs, and the Generalissimo, I evolved five points, some of them rather innocuous, to which the National Government Committee agreed. These points were suggested by me after conferences with the local representatives of the Communist Party,

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<sup>50</sup> See *Foreign Relations*, 1944, vol. VI, pp. 1 ff; Lt. Gen. Joseph Stilwell, Commanding General, U.S. Army Forces in China, Burma, and India, and Chief of Staff of China Theater until October 1944.

<sup>51</sup> Not found in Department files.

after meetings between these representatives and the representatives of the Government. I was only beginning to understand the issues involved. On the 7th of November, I flew to Yen-an with the advice and consent and by the direction of the Generalissimo and General Wedemeyer. My reception by the Communist leaders was enthusiastic. They expressed great admiration that I had come into Yen-an at a time when it was necessary for my plane to be covered by fighter escort. This seemed to be of great significance to them. In opening our first formal meeting, Chairman Mao Tse-tung stated that our meeting was so important that I had risked my life to come to see him. That fact, he stated, impressed him with the earnestness of our desire to see all Chinese military forces united to defeat Japan and to prevent civil war in China.

The meeting with Communists opened under the most favorable circumstances. For 2 days and 2 nights we argued, agreed, disagreed, denied and admitted in the most strenuous but most friendly fashion and pulled and hauled my 5 points until they were finally revised and were signed by Mao Tse-tung to be presented by me as the Chinese Communist proposal to the National Government. I was even able to limit the inclusion of unnecessary details in the 5 points so that the whole document could be written on 1 page. By agreement this document was to remain secret until the negotiations were closed or until Mao Tse-tung and I would agree to its publication. The document is still secret. The National Government has taken every precaution to keep it from becoming public. Therefore, the State Department should know that it would be injurious to our negotiations if this document should become public. I have outlined the document in reports to the President. This is the first time I have given the entire document. I am giving it now because I feel it essential that the State Department be fully informed if I am to expect direction, cooperation and support in these negotiations. The 5-point proposal of the Communist Party to the National Government is dated November 10, 1944<sup>52</sup> and is in full, as set forth in Embstel 142, January 31, 7 p. m.<sup>53</sup>

I was also authorized to say to Chiang Kai-shek that the Communists pledged themselves to support and sustain his leadership both as Gmo<sup>54</sup> and as President of the Government.

In Yen-an I had contracted heavy cold. The day after I returned (November 11) I was confined to my room. I sent a signed copy of the Communist proposal to Dr. Soong and the others of the National Committee and requested that it be translated and given to Gmo

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<sup>52</sup> *Foreign Relations*, 1944, vol. vi, p. 687.

<sup>53</sup> Not printed.

<sup>54</sup> Generalissimo.

Chiang Kai-shek. Dr. Soong and Dr. Wang<sup>55</sup> came to my room in a state of considerable perturbation. Dr. Soong immediately said, "You have been sold a bill of goods by the Communists. The National Government will never grant what the Communists have requested". He then pointed out all of the defects he found in the proposal, only one of which seemed to me to have merit and that was that the Communists really meant to say that they desired a coalition administration whereas they had actually asked for a change in the name of the Chinese Government. This seemed to me to be trivial and could easily be corrected. I maintained that the offer by the Communists had outlined at least a basis upon which to construct a settlement. Drs. Soong and Wang saw the Generalissimo before I did. They had convinced him that a settlement on the basis suggested by the Communists was impracticable. The Generalissimo's argument was that he could not agree to a coalition government without acknowledging the total defeat of his party by the Communists. He also said that the proposed plan would be in conflict with the program outlined for China in the will of Dr. Sun Yat-sen. He said that acceptance of the plan would have a serious effect on the war effort and would cause controversy at a time when the situation in China was already precarious. I, of course, had deep sympathy with him because I well understood that the National Government must be maintained. The collapse of the National Government would have caused chaos.

The Generalissimo was kind enough to say that the basis for settlement that I had obtained from the Communists would, in his opinion, be accepted as a settlement of the same kind of a controversy in Washington or in London but, owing to the peculiar Chinese psychology, it would mean total defeat for him and his party. I suggested to the Generalissimo that he revise the Communist offer and call the result a bi-party or a multi-party or a party-representative government thus avoiding the use of the word "coalition". I believed that an agreement between the National Government and the Chinese Communist Party would strengthen the Government both politically and morally and would prevent the collapse which, at that time, was widely predicted and to many informed people seemed imminent. My arguments were ineffective as were also the arguments of General Chou En-lai, Vice Chairman of the Central Committee of the Communist Party, who had accompanied me from Yen-an to Chungking. The Government finally and definitely declined the Communist offer of settlement. The Government made a 3-point counter proposal. The 3-point counter offer of the Government was submitted to me on

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<sup>55</sup> Wang Shih-chieh, Chinese Minister of Information.

November 21<sup>56</sup> and I, in turn, presented it to General Chou. The 3-point counter proposal of the Government is, in full, as set forth in Embassy's telegram 143, January 31, 8 p. m.<sup>57</sup>

Dr. Wang stated, in meeting, that the 3-point counter proposal of the Government was prepared by me and that it represented my idea of a fair compromise. To this statement I replied publicly that there was not one word of the counter proposal that I considered mine and that I had not presented it as my idea of an equitable compromise. I did not denounce the argument. I disclaimed its authorship. The 3-point proposal was not, of course, acceptable to the Communist Party. I did argue the 3-point proposal with General Chou En-lai and attempted to persuade him that it would be advisable on the part of the Communists to accept the 3-point proposal and be in cooperation with the National Government to effect a unification of National and Chinese Communist forces for the defeat of the enemy. I pointed out that the Government's 3-point proposal did provide for the recognition of the Chinese Communists as a legal political party in China. At this time, in the discussions, the Chinese Communists began to charge the Chinese Government with bad faith. They said the Chinese Government had not desired to effect a unification of China and that the Chinese Government was in correspondence with Japan and, with support of the imperialistic governments of Southeast Asia, intended to keep China divided against herself. The charges and counter-charges of that period are too numerous to be recited here. All the atrocities committed in China during the civil war and much of those committed during the war of resistance were charged to the Communists by the representatives of the National Government. Chou En-lai returned to Yen-an without having made any notable progress in his negotiations with the Government.

In conclusion of this part 1 of my report on the background of the Communist negotiations, I wish to state that in all my negotiations with the Communists I have insisted that the United States will not supply or otherwise aid the Chinese Communists as an armed political party or as an insurrection against the National Government. Any aid from the United States to the Chinese Communist Party must go to that party through the National Government of China. The Chinese Communist Party had never indicated to me that they desired to obtain control of the National Government until, if and when, they achieve control through a political election. The Communist Party demands the end of the 1-party government by the Kuomintang. The Chinese Communist Party is willing for the Kuomintang to still have a vast majority of the Government offices. The Chinese Communist

<sup>56</sup> *Foreign Relations*, 1944, vol. VI, p. 706.

<sup>57</sup> Not printed.

Party demands representation both for itself and other anti-Japanese political parties in China, in the policy making agencies of the Government. If proper representation is given to the Chinese Communist Party in the National Government, that party will agree to submit its army to the control of the National Government.

On the other side of the ledger there is opposition to the unification of the military forces of China within both the Kuomintang and the Chinese Communist Party. Members of the Chinese Communist Party oppose unification with the Chinese National Government on the ground that the Government is incompetent, corrupt and destructive of the welfare of China. The Kuomintang Party points to the fact that it began as the party of Sun Yat-sen, the party of reformation in China, and has brought China through a revolution and through nearly 8 years of the war of resistance. They believe themselves to have been successful. They believe that they have served China well and are naturally reluctant to surrender their 1-party control of China.

There is [also?] opposition among some of our own military on the ground that the Communist armed party is stronger than the National army and we should deal directly with the Communists, bypassing the National Government. This opposition is in my opinion based on erroneous and unsound premises.

In addition to these factors, all of the representatives of the so-called imperialist colonial powers of Southeast Asia are opposed to unification. The policy of the imperialist powers appears to be to keep China divided against herself.

HURLEY

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893.00/1-3145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 1, 1945—9 p. m.

174. I have given careful study to your message and welcome this fuller presentation of the subject of your efforts to bring about unification of Chinese military forces through agreement between the Kuomintang and the Communists. (ReEmbs 141, January 31, sections 1 and 2, 142 and 143.<sup>58</sup>) We have for a long time attached great importance to bringing about such unification in connection with more effective prosecution of the war against Japan and I shall await with interest your further reports on developments.

It is gratifying to learn from you of the cordial relations you are maintaining with the leaders of both sides in the Chinese controversy and of the apparent desire of both sides to avail themselves of your

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<sup>58</sup> Both sections of telegram No. 141 printed *supra*; telegrams No. 142, January 31, 7 p. m., and No. 143, January 31, 8 p. m., not printed.

good offices. In such an atmosphere we feel that you can continue to be helpful in connection with this matter.

In the light of existing circumstances I am in full agreement with the view expressed by you in the next to the last paragraph of your 141.

I have also noted carefully your observations in regard to your staff needs to facilitate the important work in which you are engaged and immediately upon the receipt of your earlier telegram<sup>59</sup> relating to this matter we went into the situation carefully and we shall expect within a few days to communicate with you further.

GREW

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893.00/2-145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 1, 1945.

[Received February 2—9:40 a. m.]

154. Translations of editorial attacking suggestions for coalition government, published in *Yi Shih Pao* (local Catholic paper, Bishop Paul Yu Pin, Managing Director) on January 27, given prominence in *Daily Bulletin* of China Information Committee (organ of Ministry of Information) and English service of Central News Agency. Following is summary of translations:

Recently we have heard about proposals for establishment of "coalition government" and convocation of "inter-party conference". According to those making proposals, measures aim at self-defence and self-salvation, strengthening national unity and better coordination with Allies for victory. Such suggestions may be palatable to the curious, especially those who do not try to understand situation thoroughly or who have selfish ends, but we men of will, conscience, and reason can never agree to any such "spoils system". Present Government is not perfect; efficiency is low; some policies are not effective. But people's part is to help Government improve efficiency and policy. No one can guarantee that proposed coalition government will be a slightly efficient or perfect government or that interparty conference will be truly representative of people's opinion. What difference is there between coalition régime and spoils-sharing régime? Political truce should be declared at this grave time by all parties as has been declared internally by both Axis and Allied countries. We doubt sincerity of those urging coalition government and inter-party conference. Those who make loudest outcry for democracy are least democratic. At present juncture when very existence of nation at stake we should not permit any so-called inter-party solidarity to undermine national unity for a "spoil[s] system" in the interest of unscrupulous persons to be instituted under name of "coalition government".

HURLEY

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<sup>59</sup> Telegram No. 53, January 13, p. 31.



740.0011 P.W./12-1544

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*<sup>60</sup>

[WASHINGTON,] February 2, 1945.

Reference Chungking's despatches Nos. 9 and 12 of December 15 and 16, 1944,<sup>61</sup> and Davies' memoranda of January 5, 1945.<sup>61a</sup>

This material suggests an evolving pattern of developments among potential separatist groups in south China:

1. At the moment these groups seem to be doing nothing in the way of reactivating combined action for establishment of a new government.

2. Present trends among the groups seem to consist in: (a) mounting dissatisfaction with the Generalissimo's leadership, and an increased disregarding of it (without open rejection) by those groups now cut off from Free China by intervening Japanese lines; (b) action by the groups—for both selfish and patriotic-war-effort purposes—toward building up independent military positions; and (c) attempts to set the stage for direct cooperation with and from American forces invading south China, from which the groups apparently hope to gain the arms, strength and opportunity jointly to establish or force the Generalissimo to establish a new coalition government.

To illustrate—in Yunnan, there is deep pessimism in regard to Chiang's ability to save the province and Lung Yun, as the price for his cooperation with the Central Government, has asked Ho Ying-chin to double the amount of American equipment promised him. In Central Kwangsi, Li Chi-shen, with his former 19th Route Army associate, Tsai Ting-kai, and other leftists, has established a small but active anti-Japanese guerrilla base with its own local administration, which, like the "Communists", is acquiring its own arms and mobilizing popular support. He has renewed his previous request of the American Army for arms and advisers. His activities "are watched["] with "great interest by progressive elements in Kunming" [*sic*], and he maintains "political" liaison with the "Communist" guerrillas in Kwangtung and with Generals Hsueh Yueh and Yu Han-mou, commanders of the Hunan-Kiangsi and Kwangtung war zones, respectively. Hsueh Yueh, with his forces reduced to 12 poorly equipped divisions, has moved southeastward, repeatedly disregarded Chiang's orders, and been seeking American arms and an understanding for cooperation with American forces. He is collaborating closely with Yu Han-mou, who, by cautious tactics toward the Japanese, has kept his seven divisions fairly intact. Chang Fa-kuei and Ku Chu-

<sup>60</sup> Addressed to members of the Office of Far Eastern Affairs and the Division of Chinese Affairs.

<sup>61</sup> Neither printed.

<sup>61a</sup> See p. 159.

tung, however, seem to be keeping out of the dissident picture at present.

*Comment.* The extent to which our Army is being importuned by potential separatist groups (including the "Communists") for arms and cooperation, and to which it will find it expedient to cooperate with whatever friendly elements it may meet in the areas selected for invasion suggests that the choice of landings may exert, willy-nilly, an important influence on China's internal political evolution. Thus, generally speaking, American landings in North China could serve to bolster the "Communists", and in central China, the Kuomintang, while landings in south China might strengthen independent groups primarily and help to bring about a coalition government in which they, as well as the "Communists", would be fully represented. It would be interesting to know whether our military and naval authorities are attempting to evaluate such political implications and consequences of landings that they may be planning.

You will note that Davies' memoranda attached to JCV's<sup>62</sup> tag also contain brief material on the "Communists" which this memorandum does not attempt to cover.

A[UGUSTUS] S. C[HASE]

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893.00/2-1245

*Memorandum by the Second Secretary of Embassy in China  
(Ludden)*<sup>63</sup>

Memorandum for Assistant Chief of Staff, G-2

Subject: Popular Support of Communists as Evidenced by People's Militia Organization in Shansi-Chahar-Hopei Communist Base Area.

*Summary and Conclusions*

The most important and impressive outward manifestation of popular support of Communist regimes in north China is the People's Militia organization. The organization of this body in the Shansi-Chahar-Hopei Communist Base Area is described briefly in this memorandum. Organization and strength charts are attached.<sup>64</sup>

People's Militia strength in the area covered by this memorandum is 896,784. Of this total 676,824 are organized into operational units. The People's Militia organization is the reservoir from which replacements for the regular Communist forces are drawn and is the base for future expansion of the Communist forces.

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<sup>62</sup> John Carter Vincent, Chief of the Division of Chinese Affairs.

<sup>63</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 137, February 12; received February 26. Mr. Ludden was detailed to the staff of the Commanding General, China Theater.

<sup>64</sup> Organization chart not in files; strength chart not printed.

Additional and more widespread investigations in Communist Base Areas thus far unvisited by American military personnel are advisable, but until such time as reliable evidence to the contrary is forthcoming, there is no valid reason to doubt but that popular support of the Communist armies and civil administrations is a reality which we must consider in future planning. Evidence of popular support of the Communists in north China is so widespread that it is impossible longer to believe that it is a stage-setting for the deception of foreign visitors.

The education, organization, and arming of peasant masses is proceeding rapidly. The simple Communist program of decent treatment, fundamental civil rights, sufficient food, and sufficient clothing for the peasant has brought about genuine unity between the Eighth Route Army and the people.

The peasant has been trained to protect that which is his. In the face of repeated Japanese offensives the Communists have taught the north China peasant the secret of survival.

Previous reports to the G-2 Section from the Observer Section at Yen-an have pointed out the consistent Communist claim that Communist forces in north and central China were able successfully to establish themselves and to consolidate and expand their positions only because they enjoyed the support of the mass of the rural population.

As a result of my observations during four months of travel in the Shansi-Suiyuan and Shansi-Chahar-Hopei Communist Base Areas, I became convinced that the Communists are in position to substantiate their claim to popular support. The route followed by the field group of the Observer Section (which is the subject of a separate memorandum<sup>65</sup>) covered approximately 600 miles between Yen-an and Miao Erh T'ai, headquarters of the Shansi-Chahar-Hopei Base Area. The return route to Yen-an was approximately the same distance, but through different territory for about one half of the distance.

Additional and wider investigations by other field groups are advisable and should be carried out, but until such time as contrary evidence is forthcoming from American sources there is no valid reason to doubt but that popular support of Communist military forces and Communist civil administrations is a reality which we must face and consider in future planning.

The most impressive and important outward manifestation of this popular support is the People's Militia organization. At the present

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<sup>65</sup> Apparently report No. 17, March 17, by the Second Secretary of Embassy in China, p. 287.

time the Communist authorities state that their regular military strength in all of their controlled areas is 650,000 and total People's Militia strength is 2,500,000. In the Shansi-Chahar-Hopei Base Area—the only area covered by this memorandum—regular military strength is stated to be 108,852 and People's Militia strength 896,784.

The People's Militia is essentially a voluntary mass peasant organization charged with two main duties: (1) the protection of life and property, and (2) the defense of Communist Base Areas. The organization also serves, however, as the reservoir from which the regular Communist forces draw replacements and is the base for future expansion of the regular Communist forces.

### *Historical Background*

It is difficult to establish with any great exactness the birth date of the People's Militia organization as it is constituted at present. It arose originally, however, from the confusion resulting from the retreat of Central Government and provincial armies before the Japanese advance in north China in late 1937 and early 1938.

It will be recalled that P'ing Hsing Kuan fell about September 28, 1937 and T'aiyuan about November 8, 1937. From September onward there was great confusion throughout Shansi Province as approximately 100,000 Central Government and Shansi provincial troops retreated through the Wu T'ai Shan area shedding equipment and plundering as they fled.

Units of the Communist Eighth Route [Army] had entered Shansi before the fall of T'aiyuan and as the Central Government and provincial armies withdrew they remained behind the Japanese advance to carry on guerrilla warfare.

The Shansi peasantry suffered greatly at the hands of the retreating armies. In the midst of the existing confusion Communist political workers commenced the organization of local peasant groups for the purpose of collecting abandoned military equipment for the dual purpose of self-protection against the retreating soldiery and to prevent its falling into the hands of the advancing Japanese. This work met with great success and large quantities of abandoned equipment, especially small arms and ammunition, light machine guns, and mortars were collected and secreted.

At the same time similar tactics were being carried out in central Hopei along and between the Peiping-Hankow and Tientsin-Pukow railway lines. Here, however, the work was under the direction of General Lu Cheng-ts'ao, a Central Government regimental commander, who refused to withdraw from the north in the general retreat and as the Japanese advanced southward he moved his forces northward toward Peiping to engage in guerrilla warfare behind the enemy.

General Lu established contact with the Eighth Route Army in Shansi and received assistance from Communist political organizers. General Lu is now commander-in-chief of the Shansi-Suiyuan Communist Base Area.

The Communist organizers grouped youths between 16 and 24 years of age into Anti-Japanese Youth Corps and men between 24 and 35 years of age into so-called Model Detachments, the former serving as a training base for the latter. As organization developed the Model Detachments became the backbone of the present People's Militia organization. The change over was gradual and followed closely the development of new base areas by the Communists. At the present time the People's Militia is the most important mass organization in each Base Area and the process of development and expansion is a continuing one and considered by the Communist leaders to be one of primary importance.

[Here follows detailed report on organization, training, operations, and supplies.]

### *Conclusion*

Visual evidence of popular support of the Communists in north China is so widespread and obvious that it is impossible longer to believe that it is a stage setting for the deception of foreign visitors. For the first time in modern Chinese history a purely Chinese administration extending over wide areas has positive popular support and popular participation is developing.

The major Communist claim is that they have no fear of an organized and enlightened population and there is ample evidence available to substantiate this claim. The work of organizing and educating the peasant masses is one of the most important activities of the Communists and in the process they have taken the ultimate step—in the case of the People's Militia organization—of placing arms in the hands of hundred of thousands of north China peasants.

In one conversation with General Ch'eng Tze-hua, political commissar of the Shansi-Chahar-Hopei Base Area and at present acting commander-in-chief, I suggested that the widespread arming of civilians could possibly get out of control. General Ch'eng thereupon pointed out that the American Constitution provided "that the right of the people to own and bear arms shall not be abridged".

The basic premise for all political indoctrination work with which I came in contact was that government should be for the benefit of the governed. Decent treatment, honest taxation, fundamental civil rights, a warm back, and a full belly constitute the simple formula whereby the Communist armies and governments are genuinely united with the people.

Throughout all of the Communist areas I visited there was immediately apparent, even to the most casual observation, a vitality and strength and a desire to join with the enemy which is far more difficult to find in Kuomintang China. The top leaders are without exception hard, veteran fighters with a dynamic program to offer the people. There is little question but that at the present time they are the most realistic, well-knit, and tough-minded group in China.

The Communists have survived more than seven years of Japanese offensives and ten years of prior civil war. They have consistently maintained the right of self-preservation and perhaps their most important contribution in the north China area is that fact that they have taught the peasant the technique of survival.<sup>66</sup>

RAYMOND P. LUDDEN

[CHUNGKING,] February 2, 1945.

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S93.00/1-2545: Airgram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 7, 1945.

A-31. Following is communicated for your information and, in your discretion, for forwarding to John Service<sup>67</sup> as subject for investigation and future report.

Mao Tse-tung reportedly said in a speech of January 10 that there exists in the "Communist" region "comrades" with different approaches to the problems of the region. He characterized these differences as the "rural approach" and "urban viewpoint". Favoring the former himself, he comments that those who use the urban viewpoint "produce many unsuitable plans", ill-adopted to "deal with problems encountered in political, military and economic work".

Mao's statements raise the question of whether or not rival factions on basic Communist policies exist or are developing in Communist circles.

GREW

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<sup>66</sup> In a memorandum of April 5 Everett F. Drumright of the Division of Chinese Affairs commented: "As described by Mr. Ludden, the People's Militia is an impressive example of the organizational genius of the Chinese Communists and of their ability to utilize the collective power of the masses in the furtherance of their program. The People's Militia appears to be the main link between the Communist administration and Army and the masses, and it is probable that the success of the Communists in expanding their control over large areas of north and central China is due in a large measure to their utilization of the People's Militia. In this connection, it may be noted that there is no similar organization in Kuomintang-controlled China where, it is generally acknowledged, less use has been made of the collective power of the masses than in Communist-controlled China. The Kuomintang would probably be well advised to adopt and put into practice some of the measures carried out by the Communists in organizing the masses."

<sup>67</sup> Second Secretary of Embassy in China, on detail with U. S. Army Observer Section at Yanan.

893.00/2-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>68</sup>

CHUNGKING, February 7, 1945—8 a. m.

[Received February 12—6:45 p. m.]

180. ReEmbstel 141, January 31, 6 p. m. Part 2. As stated in Part 1, General Chou returned to Yen-an without having made any notable progress in his negotiations with the Government. In the meantime, I continuously discussed the relations between the Communist Party of China and the Government of China with the Generalissimo, and with T. V. Soong, Wang Shih-chieh and General Chang Chih-chung. Dr. Soong had now become at least an ex-officio member of the National Committee on negotiations with the Communists. I was often with the Generalissimo both in Chungking and in his residence in the hills across the Yangtze from Chungking. I finally convinced the Generalissimo that we could not expect a unified military force in China nor could he expect a strong, free, united, democratic China to emerge from the war without having achieved a settlement with the Communist Party. I convinced the Generalissimo that it would be necessary for him to make political concessions in order to obtain control of the unified forces of China. He began making concessions. The first was certain changes in the personnel of his Cabinet which resulted in better relations between the Chinese Government, the Chinese military establishment, the American military establishment and Embassy. The criticism of this action by the Communists, by American publicists and by others was that Chiang had not gone far enough. This criticism is, of course, correct, but those of us closest to the situation realized that he had gone a long way and would go further.

In my telegram to the President dated January 14, 1945, I outlined the concessions which the Generalissimo, the Kuomintang and the National Government were prepared to make in the Communist controversy. The concessions which the Generalissimo was ready to make are roughly as follows:

- (1) Representation of Communists in the Government;
- (2) Formation of a war cabinet with inclusion of Communists and other non-Kuomintang members (coalition war cabinet in fact but not in name[]);
- (3) Establishment of a committee of 3 composed of a representative of the Government, Communist representative and a U.S. army officer to work out details of re-incorporating the Communist troops in the national army;

<sup>68</sup> This telegram is part 2 of an extensive report. Part 1 is telegram No. 141, January 31, 6 p. m., p. 192; part 3 is telegram No. 238, February 17, 7 p. m., p. 220; part 4 is telegram No. 242, February 18, 11 a. m., p. 223.

(4) An American Army officer to have overall command of the Communist troops (I could not agree to this point without direction from my Government and so stated; nevertheless, it was included as both parties desired it);

(5) Recognition of the Communists as a legal political party; and

(6) Convening of a National Congress before the end of the war, promised by Chiang in his New Year's message.

I have pointed out to the Generalissimo that his approach to this subject has one weakness: In my opinion he is making the concession which the Communists desire and he is not receiving the *quid pro quo*, namely, submission of the Communist Army to the National Government, which is the main objective of these negotiations. The only document in which the Communists have stated the conditions under which they would submit control of their forces to the National Government is the 5-point proposal<sup>69</sup> submitted to me in Part 1.

The concessions by the Generalissimo and the Government were made at various times. I have put them all together here.

I now revert to the period at which Chou En-lai returned to Yen-an. The 2d day after his return to Yen-an he sent me a letter dated December 8, 1944; which is in substance as follows:

[Here follows substance of letter of December 8, 1944, from Chou En-lai; printed in *Foreign Relations*, 1944, vol. VI, page 723.]

On December 11, I wired Chairman Mao in reply stating that I was sending an important letter to General Chou by Colonel Barrett and expressed the hope that no move would be made to publish the terms pending its receipt. (All of my communications with Yen-an were without exception sent with the full knowledge and consent of the high officials of the National Government who were in charge of the negotiations, namely, the Generalissimo, T. V. Soong, Wang Shih-chieh and Chang Chih-chung.) This letter of identical date read, in substance, as follows:

[Here follows substance of letter of December 11, 1944, to Chou En-lai; printed in *Foreign Relations*, 1944, vol. VI, page 732.]

(It should be said that I personally was not opposed to publication of the 5 points nor of the fact that I was at least co-author of them and had signed them as a witness to Mao's signature, but the National Government was opposed to publication.)

General Chou's reply to the above dated December 16 reads as follows:

[Here follows substance of letter of December 16, 1944, from Chou En-lai; printed in *Foreign Relations*, 1944, vol. VI, page 139.]

In my telegraphic reply to General Chou of December 21[20],<sup>70</sup> I

<sup>69</sup> Dated November 10, 1944, *Foreign Relations*, 1944, vol. VI, p. 687.

<sup>70</sup> *Ibid.*, p. 744.



stated my belief that chances of success along the general lines of the Communist proposals would be brighter than ever before if he would again come to Chungking.

On December 24, I received a telegram,<sup>71</sup> paraphrased and transmitted by the Army, from Chairman Mao stating that General Chou was occupied with "important conference preparations" making his departure from Yen-an difficult. Mao also stated that the National Government had not shown sufficient sincerity to warrant continuing negotiations on the basis of the 5-point proposal and suggested a conference in Yen-an with Colonel Barrett attending if possible. This was followed by a letter from General Chou dated December 28<sup>72</sup> and brought to Chungking by Colonel Barrett stating that I had apparently misunderstood the previous telegram due to "mistakes in paraphrasing" and that Colonel Barrett would inform me of details. (Barrett informed me orally that neither had a conference in Yen-an been suggested nor had his presence been requested at a conference, although subsequent communication with American officer temporarily in charge of the observers section at Yen-an have shown that the telegram as originally received was a substantially accurate paraphrase of Mao's message.) General Chou then went on to state that the Communists would not be willing to continue abstract discussions on the question of accepting their proposal for a democratic coalition government. He mentioned instead four additional points which he requested be communicated to the authorities concerned "to see whether they are determined to realize democracy and unity." These points were:

- (1) Release of all political prisoners including Chang Hsueh-liang;<sup>73</sup>
- (2) Withdrawal of Kuomintang forces surrounding the border region and those attacking the New Fourth Army and the South China 'anti-Japanese column';
- (3) Abolition of all expressive regulations restricting people's freedom; and
- (4) Stopping of all special secret service activity.

The carrying out of the points, Chou continued, would indicate the eventual possibility of abolishing one-party dictatorship and of establishing a democratic coalition government.

I replied to the above in a letter to Chairman Mao and General Chou dated January 7, stating that the additional four points outlined in Chou's letter constituted a departure from our original agreed pro-

<sup>71</sup> *Foreign Relations*, 1944, vol. VI, p. 745.

<sup>72</sup> *Ibid.*, p. 755.

<sup>73</sup> The "Young Marshal", former Manchurian warlord, who detained Generalissimo Chiang from December 12 to 25, 1936; see *ibid.*, 1936, vol. VI, pp. 414 ff.

cedure which was to arrive at an agreement on general principles before discussing specific details. I also stated that I was convinced that the National Government was sincerely desirous of making such concessions as would make a settlement possible but that such matters obviously could not be discussed by telegram or letter. I then suggested, after securing the approval of the National Government, (1) that T. V. Soong, Wang Shih-chieh, Chang Chih-chung and myself make a brief visit to Yen-an to discuss matters in person, and (2) that Chairman Mao and General Chou both return with us to Chungking, if agreement in principle were reached, to conclude the agreement.

Chairman Mao in his reply on January 11 stated that the 5-point proposal of the Communist Party had been refused by the National Government and that it was extremely difficult for the Communists to agree to the National Government's 3-point counter proposal. The National Government, he stated, had been requested first to carry out voluntarily four points including the release of political prisoners as proof that the Government was sincerely desirous of solving national problems on a democratic basis. He said that my proposal for a conference between both parties to be held at Yen-an was greatly appreciated, but that he felt nothing could be achieved other than my own personal inconvenience as all such secret negotiations during past 8 years have proved the insincerity of the National Government. Mao suggested in return that a preparatory conference be called in Chungking for the purpose of convening a national affairs conference; that the preparatory conference include Kuomintang, Communist and Democratic Federation delegates; that the proceedings of the conference be made public; and that the delegates have equal standing and freedom of travel. If the National Government agreed to these proposals, he stated, General Chou would proceed to Chungking for discussions.

In my message to the President (January 14) I stated that a military plan had been evolved at U. S. [*Army?*] Headquarters during the absence of General Wedemeyer which outlined what American troops would be used in the Communist area, how the Communist troops would be organized in guerrilla warfare, and how they could be supplied. I said that this plan had become known to the Communists and had led them to the conclusion that they could bypass the National Government, and incidentally myself, going directly through the military establishment to Washington.

General Marshall sent a telegram to General Wedemeyer quoting an excerpt from my report and asked the latter to give him the facts in the premises. Wedemeyer made a hasty examination of the subject and replied stating that I concurred in his report which he submitted to me before sending. I added that I concurred in General

Wedemeyer's recommendation but that I did not agree to his statement of facts that the military plan was not revealed to the Communists by an officer of his command. Wedemeyer had implied that the plan may have leaked to Communists through General Chen Cheng<sup>74</sup> or T. V. Soong as they both had knowledge of the plan and the latter was conducting negotiations with the Communists. In reply to this message from Wedemeyer, General Marshall requested him to make further investigations which disclosed that Colonel Barrett, who was my emissary and who carried my messages to Chairman Mao and General Chou, had discussed the military plan in detail with the Communists without my knowledge and that Colonel Bird, also under the direction of military headquarters, had gone to Yen-an and had not only discussed the military plan in detail but had made a report to headquarters outlining the nature of the discussions.

General Wedemeyer then asked Colonel Barrett and General McClure<sup>75</sup> for statements on the subject. Their statements and that of Colonel Bird were conclusive of the fact that the military plan had become known to the Communists through these military officers.

The result was that the following two proposals were made by Chairman Mao and General Chou direct to General Wedemeyer in an eyes alone telegram dated January 9,<sup>76</sup> through Army channels, the second "strictly off the record": (1) that the Yen-an Government dispatch an unofficial group to the United States to "interpret and explain" the problems of China to interested American civilians and officials, and (2) that Mao and Chou were available to proceed to Washington immediately for an exploratory conference in event that the President should express a desire to receive them at the White House as leaders of a primary Chinese political party. Mao and Chou also specifically requested that their willingness to go to Washington be kept secret in the event that Roosevelt's invitation was not forthcoming in order to protect their political status vis-à-vis Chiang. There was a second telegram<sup>77</sup> that indicated the Communists' desire to bypass both the National Government and myself. However, that telegram is more pertinent to another situation that will be reported later.<sup>78</sup>

If the suggestions made to the Communists by Barrett and Bird at the direction of McClure had been approved by the United States and if the requests made by Mao Tse-tung and Chou En-lai referred to had been granted, the result would have been a recognition of the Communist Party of China as an armed belligerent. All this was predi-

<sup>74</sup> Chinese Minister of War.

<sup>75</sup> Maj. Gen. Robert B. McClure, Chief of Staff to General Wedemeyer.

<sup>76</sup> No. 322, not printed.

<sup>77</sup> No. 324, January 10, not printed.

<sup>78</sup> See telegram No. 238, February 17, 7 p. m., from the Ambassador in China, p. 220.

cated on the proposition adhered to by McClure that [the U. S.] reserves the right to fight its enemies where and when it finds them and with whatever means are available. There are times when this theory is practicable, but on this instance it was assumed that the U. S. Army and not the civil government had the policy making power. The civil government could decide on the action to be taken in the premises and could have directed the Army as an instrumentality of the Government to make the policy effective. But in the circumstances the proposed action was in conflict with the policy of the Government. It would have defeated the United States policy of sustaining the National Government of China. I was of the opinion that the recognition of the Communist Party as an armed belligerent through our Army would immediately cause chaos and civil war and a defeat of America's policy in China. As soon as I sensed this situation my opposition was more than aggressive, it [was] impeccable and, as the results have indicated, successful.

General Wedemeyer cleared the situation completely in a telegram to General Marshall and expressed regret for what had occurred. Wedemeyer was of the opinion that the negotiations between the Army and the Communists were not the sole cause of the breakoff of negotiations between the Communists, the National Government and myself. I, of course, agreed that there were other factors. But the Communists did take the Army plan and the conferences in regard to it as evidence that they could bypass the National Government and myself and obtain recognition by the United States of the Communist armed party without first reaching an agreement with the National Government.

It has been suggested to me that I pursue the military investigation further. Both General McClure, Wedemeyer's Chief of Staff, and Colonel Barrett have in the meantime been transferred to field commands. I have decided that it would be better for us not to indulge in a slugging match between ourselves and that we should permit the incident to be closed. This is especially true when we consider that when I began using Colonel de Pass, the Military Attaché, as my emissary in the negotiations with the Communists without any explanation to the Communists or the National Government of what had transpired, we were able immediately to reopen discussions with the Communist leaders as the subsequent correspondence will indicate. Moreover, General Chou has now returned to Chungking and we are pursuing our negotiations amicably without having made any reference to our internal episode which is outlined very briefly above. I recommend that the State Department take no action whatever in regard to the communications of the military plan to the Communist Party as to do so would only continue a controversy among ourselves

and detract from our main objective which is the unification of all forces in China. Wedemeyer has my confidence and I have his and we are cooperating fully.

It has come to my attention that there have been several cases of special interests antagonistic to the National Government who at one time or another have approached this or that representative of the American Government with requests for special consideration from the American Armed Forces; that they have asked for the dispatch of representatives of the American Government to areas under their control or that they have asked that they be furnished with American [arms?] or equipment. It seems likely that such approaches will continue as long as unification of China remains incomplete. I recommend that all such requests, no matter how reasonable they may seem to be, be universally [refused?] until or unless they receive the sanction of the National Government and of the American Government. It is our steadfast position that all armed warlords, armed partisans and the armed forces of the Chinese Communists must without exception submit to the control of the National Government before China can in fact have a unified military force or unified government.

In a letter to Chairman Mao dated January 20, 1945, which was carried to Yen-an by Colonel de Pass, I stated that I was convinced that the National Government was ready to make such important and concrete concessions as to make a settlement really practicable; that the Government had decided to create a "war cabinet" with extensive powers which would include non-Kuomintang members; and that Communistic representatives would be invited to join this important policy making body. I suggested that Mao again send General Chou to Chungking to talk over matters with the Government even if only for a few days.

He [As?] mentioned above, General Chou returned to Chungking with Colonel de Pass on January 24 and negotiations are now proceeding. These negotiations will be the subject of part 3 which will follow shortly by telegraph.<sup>79</sup>

In closing part 2, I pause to observe that in this dreary controversial chapter two fundamental facts are emerging: (1) the Communists are not in fact Communists, they are striving for democratic principles; and part (2) the one party, one man personal government of the Kuomintang is not in fact Fascist, it is striving for democratic principles. Both the Communists and the Kuomintang have a long way to go but, if we know the way, if we are clear minded, tolerant and patient, we can be helpful but it is most difficult to be patient at a time when the

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<sup>79</sup> See telegram No. 238, February 17, 7 p. m., from the Ambassador in China, p. 220.

unified military forces of China are so desperately needed in our war effort.<sup>80</sup>

HURLEY

893.00/2-1645

*Memorandum by the Second Secretary of Embassy in China  
(Ludden)*<sup>81</sup>

Memorandum for Assistant Chief of Staff, G-2

Subject: Communist Plans for Expansion

*Summary*

Communist leaders in forward Base Areas are bitterly critical of the Central Government's passive attitude toward the war and frankly outspoken with regard to Communist plans for territorial and military expansion.

These plans envisage the eventual development of a connected series of Communist Base Areas extending from the Great Wall to the East River. Communist plans for expansion stem from their conviction that the only strength of China is in her peasant masses, that these masses are willing to resist the enemy, but they must be organized, trained and led.

As Central Government forces withdraw in the face of the Japanese advance chaotic conditions create a political vacuum which the Communists are in position to fill and they propose to do so whenever and wherever possible. The people, say the Communists, must not be abandoned to the enemy.

Expansion into Inner Mongolia and Manchuria is not feasible at the present time, but possible eventually. Long-standing distrust of Chinese by the Mongols is [*as?*] a serious barrier and effective Japanese consolidation in Manchuria are stated as reasons.

The further one proceeds east in Communist controlled areas of north China the more outspoken and bitter becomes criticism of the Kuomintang Government. This is especially true among field commanders of the Eighth Route Army and their political commissars. In general all criticism centers around the passive attitude of the present Central Government of China toward the war against Japan and the failure of the Government to mobilize the mass strength of the Chinese people for economic and military resistance.

<sup>80</sup> In a memorandum of February 13 to the Under Secretary of State (Grew) the Director of the Office of Far Eastern Affairs (Ballantine) summarized in some detail the contents of this telegram, stating in conclusion that "It is believed that no action is called for by the Department, at least until section 3 of the telegram comes to hand." (893.00/2-1345)

<sup>81</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 151, February 16; received March 3.

Constantly one hears expression of the conviction that the only real strength of China is in her agrarian millions and that only through the organization and leadership of this amorphous mass can the real strength of China be brought to bear against Japan. For this reason the Communist leaders maintain that it is necessary for them not only to consolidate their present north and central China bases, but to expand as rapidly as possible into other areas of China from which Kuomintang troops have been driven by the enemy. The people, the Communist[s] say, must not be abandoned by their Government as they were in north China after 1937; the people are willing to resist, but they must be organized, trained, and led.

At the headquarters of the Shansi-Suiyuan and Shansi-Chahar-Hopei Communist Base Areas I heard much more frank discussion of Communist plans for expansion than I had heard at Yen-an. This was especially true after the fall of Kweilin and the rapid Japanese advance into Kweichow Province. Communist leaders pointed out on numerous occasions that Communist planning envisages the organization of Communist guerilla units in all areas of eastern China evacuated by Kuomintang forces and that it was hoped eventually to have a connected series of Base Areas extending from present bases in the north to the small Communist Base Area on the East River in Kwangtung Province. If, say the Communists, the Japanese establish a line from north to south through China, that line must be harassed throughout its length by active guerilla operations and the people must be organized to support and to participate in such operations.

As an indication of positive action, it was pointed out that the recently established Communist guerilla base in the Sung Hsien area of northern Honan was effectively established by four regular regiments of the Eighth Route Army despatched to the area in plain clothes for the purpose of assisting in the organization and training of guerilla detachments activated earlier by local anti-Japanese elements and Communist underground workers. In this connection it is interesting to note that Communist leaders felt that one of the important reasons for early Communist action in northern Honan was to take advantage of large quantities of arms and equipment abandoned by retreating Kuomintang forces during the spring and summer of 1944 and collected by Honan peasants. It will be recalled that an important source of present Eighth Route Army equipment was battlefield sweeping in Shansi and Hopei in 1937 and 1938.

The Communists justify their expansionist plans on many grounds, chief among which are: (1) behind any Japanese advance there is a vast reservoir of hatred of the enemy among the people which should be turned to practical use; (2) disorganized Kuomintang forces cut off behind a Japanese advance prey upon their own people rather than

oppose the enemy, chaos is compounded, and the isolated troops eventually become Japanese puppets in order to survive; (3) it is sound strategy to divide the strength of the enemy as much as possible by requiring him to disperse troops over a wide area in small garrisons to cover lines of communication and supply; (4) the morale of troops in isolated blockhouses and small garrison points deteriorates rapidly and they are thus more susceptible to psychological warfare approaches.

In the long run, however, the Communist leaders eventually return to their original premise, that the true strength of China is in her peasant masses. It is therefore necessary to organize the peasantry in order effectively to resist the enemy. Throughout the Communist controlled areas one is conscious of a deep pride of accomplishment in this work of peasant organization and its most impressive outward manifestation is the People's Militia (a separate memorandum dated February 2, 1945 has been submitted on the People's Militia). Among the Communists there is no doubt as to their ability to repeat in other parts of China their north China feats of popular organization.

Justifiably so or not, the Communist leaders are confident that within a comparatively short time they can materially expand their operations south of the Yangtze River, especially in the former Red Army areas of Kiangsi and Fukien. They admit that equipment is a serious problem but state that with abandoned Central Government equipment collected from the peasantry of areas from which the Central Government has withdrawn, with grenades and land mines of their own manufacture, and with a continuous limited increment of captured Japanese and puppet equipment they can establish important pockets of resistance behind the enemy.

The Communists maintain that troops are no problem. Regular units of the Eighth Route and New Fourth Armies can be despatched to new areas and replacements drawn from the People's Militia. With the establishment of a People's Militia in new areas there will be available a reserve for continued expansion.

With regard to expansion into Manchuria the Communists are less optimistic. They state that the Japanese have been in effective occupation for such an extended period and have developed the "protected village" and "*pao chia*" systems so extensively that Communist operations are too difficult at the present time. The limited areas of south-western Liaoning and southern Jehol in which Communist units now operate are for all practical purposes considered as parts of eastern Hopei.

The Communists also state that there are serious difficulties facing their further expansion into areas of Suiyuan and Chahar where the population is predominantly Mongol. Previous experience of the



Mongols over a long period of years under Chinese administrations has been unhappy and they are thus suspicious of all Chinese approaches. These suspicions have been confirmed by the attitude expressed toward national minorities in China in the Generalissimo's book "China's Destiny". The Communists do maintain, however, that the lot of the majority under Japanese occupation in Manchuria and Inner Mongolia is hard, that news of conditions under their own administrations is spreading gradually into these areas, that there is discontent and that Communist infiltration will be possible as external pressure on Japan increases and Communist strength grows and equipment improves.

In general it may be said that Communist plans for expansion are long-term in nature. It has been their experience in north and central China that too rapid expansion of their armed forces and territory is in the long run unsatisfactory; large forces may become too great a burden on the countryside and the inability successfully to continue operations in any given area brings serious enemy reprisals upon the people in addition to undermining confidence in Communist forces. They have therefore adopted a policy of consolidation of northern Base Areas and gradual expansion as opportunity offers. For example, the Communists point out that their operations on the north China plain in central Hopei have been expanded within the past eighteen months as the Japanese have withdrawn troops and thus reduced the number of strong points and blockhouses in order to make dispositions against the American advance in the Pacific. They state that their position has been especially improved since the American landings in the Philippine Islands. They report that although total Japanese and puppet numerical strength has not been changed greatly, they are now faced by a greater proportion of puppet troops and the reduced number of Japanese troops are of inferior training, equipment, and morale.

With regard to territory newly occupied by the Japanese, however, the Communist policy of expansion is somewhat different. In areas from which Central Government forces have been driven or have withdrawn rapid expansion of Communist operations is favored. Chaotic conditions, the hatred of the peasantry for the Japanese, the latent patriotism of liberal intellectuals, all offer ideal conditions for Communist expansion. The Communists maintain that the withdrawal of Kuomintang forces in the face of Japanese advances leaves behind a political vacuum which they are in position to fill and this they plan to do wherever and whenever possible.

RAYMOND P. LUDDEN

[CHUNGKING,] February 7, 1945.

Nanking Embassy Files—Lot F-73

*Memorandum by Messrs. John S. Service and Raymond P. Ludden to the Commanding General, U. S. Forces, China Theater (Wedemeyer)*

American policy in the Far East can have but one immediate objective: the defeat of Japan in the shortest possible time with the least expenditure of American lives. To the attainment of this objective all other considerations should be subordinate.

The attainment of this objective demands the effective mobilization of China in the war against Japan. Operating as we are in a land theater at the end of a supply line many thousands of miles in length, the human and economic resources of China increase in importance as we draw closer to Japan's inner zone of defense. Denied the effective use of these resources the attainment of our primary objective will be unnecessarily delayed.

There is ample evidence to show that to the present Kuomintang Government the war against Japan is secondary in importance to its own preservation in power. China's military failure is due in large part to internal political disunity and the Kuomintang's desire to conserve such military force as it has for utilization in the maintenance of its political power. The intention of the Generalissimo to eliminate all political opposition, by force of arms if necessary, has not been abandoned. In the present situation in China, where power or self-preservation depend upon the possession of military force, neither the Kuomintang nor opposition groups are willing to expend their military resources against the Japanese through fear that it will weaken them vis-à-vis other groups. A recent instance is the lack of resistance to the Japanese capture of the southern section of the Hankow-Canton railway. Equally, the Kuomintang is jealously intent on preventing the strengthening of other groups: witness the blockade of the Communists.

The aim of American policy as indicated clearly by official statements in the United States is the establishment of political unity in China as the indispensable preliminary to China's effective military mobilization. The execution of our policy has not contributed to the achievement of this publicly stated aim. On the contrary, it has retarded its achievement. It has had this undesired and undesirable effect because our statements and actions in China have convinced the Kuomintang Government that we will continue to support it and it alone. The Kuomintang Government believes that it will receive an increasing flow of American military and related supplies which, if past experience is any guide, it will commit against the enemy only with great reluctance, if at all.

We cannot hope for any improvement in this situation unless we understand the objectives of the Kuomintang Government and throw our considerable influence upon it in the direction of internal unity. We should be convinced by this time that the effort to solve the Kuomintang-Communist differences by diplomatic means has failed; we should not be deceived by any "face-saving" formula resulting from the discussions because neither side is willing to bear the onus of failure. We should also realize that no Government can survive in China without American support.

There are in China important elements interested in governmental reform by which unity and active prosecution of the war may result. Aside from the Chinese Communists, however, all of these elements are cowed by a widespread secret police system and lack any firm rallying point. They will remain helpless to do anything constructive as long as statements of our policy indicate that we are champions of the *status quo*.

At present there exists in China a situation closely paralleling that which existed in Yugoslavia prior to Prime Minister Churchill's declaration of support for Marshal Tito.<sup>82</sup> That statement was as follows:

"The sanest and safest course for us to follow is to judge all parties and factions dispassionately by the test of their readiness to fight the Germans and thus lighten the burden of Allied troops. This is not a time for ideological preferences for one side or the other."

A similar public statement issued by the Commander-in-Chief with regard to China would not mean the withdrawal of recognition or the cessation of military aid to the Central Government; that would be both unnecessary and unwise. It would serve notice, however, of our preparation to make use of all available means to achieve our primary objective. It would supply for all Chinese a firm rallying point which has thus far been lacking. The internal effect in China would be so profound that the Generalissimo would be forced to make concessions of power and permit united front coalition. The present opposition groups, no longer under the prime necessity of safeguarding themselves, would be won wholeheartedly to our side and we would have in China, for the first time, a united ally.

Whether we like it or not, by our very presence here we have become a force in the internal politics of China and that force should be used to accomplish our primary mission. . . . The Communist movement is merely the most prominent manifestation of a condition which is potentially present throughout China. Other important groups

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<sup>82</sup> Josip Broz, Secretary-General of the Yugoslav Communist Party and Chairman of the Communist Yugoslav National Committee of Liberation.

favor the same program as that espoused by the so-called "Communist"—agrarian reform, civil rights, the establishment of democratic institutions—but the Communists are the only group at present having the organization and strength openly to foster such "revolutionary" ideas.

Our objective is clear, but in China we have been jockeyed into a position from which we have only one approach to the objective. Support of the Generalissimo is desirable in so far as there is concrete evidence that he is willing and able to marshal the full strength of China against Japan. Support of the Generalissimo is but one means to an end; it is not an end in itself, but by present statements of policy we show a tendency to confuse the means with the end. There should be an immediate adjustment of our position in order that flexibility of approach to our primary objective may be restored.

RAYMOND P. LUDDEN

JOHN S. SERVICE

[CHUNGKING,] February 14, 1945.

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893.00B/2-1545 : Telegram

*The Ambassador in the United Kingdom (Winant) to the  
Secretary of State*

LONDON, February 15, 1945—6 p. m.

[Received 7:07 p. m.]

1628. The *Times* and *Daily Worker* this morning carry stories regarding dispute between the Chinese Communists and Chungking. The *Times* story which is more detailed and is from its Washington correspondent, reports that, according to a Chinese Government spokesman on February 13, Chou En-lai, the Communist representative, rejected Government concessions which included the admission of the Communist Party to legal status, Communist representation on the National Military Council and in the Executive Yuan, and the creation of a joint Government-Communist Committee, presided over by a neutral observer, preferably an American army officer, to consider reorganization of the Communist Army and the apportionment of military supplies to them. Chou is reported to have put forward a counter-proposal for a conference of all political parties to settle Chinese internal problems. The *Times* Washington correspondent says there is regret in Washington that the negotiations have been held up again but general relief that they have not broken down completely. He adds that General Hurley, since his arrival in China, has striven to bring about closer relations between the two parties.

Sterndale Bennett, head of the Far Eastern Department of the

Foreign Office, told an officer of the Embassy today that the Foreign Office had no confirmation of these press stories but that on the face of them they did not appear improbable. The last paragraph of the *Times* story states that there is but little doubt that Russia's attitude toward the Chinese Communists has recently strengthened the hand of Chungking. According to this source, "it is learned on good authority that important Moscow officials have stated that Russia has no interest in Chinese Communists as such, but is vitally interested in Far Eastern stability". Bennett also stated he had no information to confirm this but that it did not appear to be unreasonable.

In commenting on the Chungking-Communist dispute, Bennett referred to the alleged Communist demands which, as he outlined them, were substantially the same as those quoted on page 3 of the February 1 issue of the weekly political review of the Office of Far Eastern Affairs. He said that it would be difficult for the Generalissimo to accept such demands inasmuch as by doing so the Communists would apparently gain freedom to organize and proselytize all over China. Bennett expressed particular interest in the speech by Congressman Mansfield on January 16<sup>84</sup> and especially mentioned Mansfield's comment that it would be a good suggestion to induce Yen-an to make concessions as well as Chungking. Bennett stated that it is unfortunate that in trying to bring about reconciliation between Chungking and Yen-an it is so much easier to put pressure on Chungking than on Yen-an where western countries are not officially represented. Bennett feels that if the Communists are too uncompromising they may forfeit some of the well-deserved sympathy and support they now possess. Congressman Mansfield's speech is considered to have been a real contribution to the understanding of this difficult issue.

WINANT

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893.00/2-1645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 16, 1945—9 p. m.

267. In connection with press reports in today's and yesterday's newspapers here of interviews given by Wang Shih-chieh, Chou En-lai and General Wedemeyer, we would appreciate receiving by radio full text of statements made to the press in Chungking by these officials.<sup>85</sup>

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<sup>84</sup> *Congressional Record*, vol. 91, pt. 1, p. 277.

<sup>85</sup> See telegrams Nos. 245, 246, and 247, February 18, from the Ambassador in China, pp. 231, 232 and 233.

We would also appreciate receiving in a separate telegram such interpretive comment as you are in a position to make with regard to the statements.<sup>86</sup>

GREW

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893.00/2-1745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>87</sup>

CHUNGKING, February 17, 1945—7 p. m.

[Received February 17—6:10 p. m.]

238. Part 3. Kmt<sup>88</sup>—Communist negotiations.

1. In a telegram dated January 10 from Captain Evans,<sup>89</sup> then at Honan [*Yenan*], to Colonel Dickey<sup>90</sup> of G-2, headquarters, for Wedemeyer "eyes alone" (ReEmbstel No. 18 [180], February 7, 8 a. m., paragraph 16<sup>90a</sup> last two sentences), Evans stated that he had been given valuable and important information by General Chou En-lai for Wedemeyer eyes alone [who?] should decide its disposition in the United States. Evans quoted Chou as stating specifically that "General Hurley must not get this information as I don't trust his discretion". This information, Evans stated, was a precise, definite story of negotiations between the National Government and the Japanese for a sellout of American interests. He also stated that part of the story was documented by copies of correspondence of high authority and that the negotiations involved some of the highest military and civilian personages in Government. Evans concluded that the story was the "gravest charge against responsible Ally I ever heard from any responsible person".

In reciting this I wish you to be convinced that Captain Evans was sincere. He was honestly of the opinion that he was being given the foundation documents that would prove that the National Government of China had entered into an agreement with the Government of Japan. It is on the documents submitted by Evans that all the reporting concerning an agreement between the Chiang Kai-shek Government and Japan have been based. They have all been directed toward one purpose which is to discredit the National Government in China. In saying this, please understand that I am not condemning either the diplomatic or military reporters for having been misled by the

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<sup>86</sup> See telegram No. 242, February 18, 11 a. m., from the Ambassador in China, p. 223.

<sup>87</sup> This telegram is part 3 of an extensive report; part 1 is telegram No. 141, January 31, 6 p. m., p. 192; part 2 is telegram No. 180, February 7, 8 a. m., p. 205; part 4 is telegram No. 242, February 18, 11 a. m., p. 223.

<sup>88</sup> Kuomintang.

<sup>89</sup> Capt. W. K. Evans, U. S. Army Observer Section.

<sup>90</sup> Col. J. K. Dickey.

<sup>90a</sup> Paragraph beginning "The result was that the following two proposals".

rumors. As my telegram above referred to will indicate to you, my own opinion from the beginning was that the rumors were too unrealistic to be true.

Twenty-two [2. *Three*] documents were recently brought from Yen-an to General Wedemeyer who handed them to me in the strictest confidence for inspection and I have since returned them to him after, however, microfilm copies of the originals were made for the files of the Embassy. The first document consisted of the so-called "proof" of negotiations between the National Government and the Japanese, and second was entitled "project and budget for destroying and bringing over puppet forces during 1945" [both?] prepared by the Communists and submitted under covering letter addressed to Wedemeyer by General Chu Teh, Commander-in-Chief of the Chinese Communist Forces.<sup>91</sup> The former document, written in Chinese on unheaded paper without signature, origin, CFU [*sic*] seal on date, stated in summary as follows:

Chou Fu-hai, Vice President of the Executive Yuan and Minister of Finance of the puppet Nanking Government, went to Japan in August 1944 to discuss peace terms. Koiso<sup>92</sup> indicated to Chou at that time that he would welcome Chiang Kai-shek's mediation between Japan and the Allies. In September 1944, Shibuyama, Jap Vice Minister of War, proceeded to Nanking to continue the talks and presented following 5 principles for discussion: (1) Both Japan and Nanking Government to have equal standing in negotiations; (2) United States and Jap forces to withdraw from China; (3) respect to be paid to Chungking Government's opinion as to future relations with England and United States; (4) guarantee for withdrawal of Jap forces from China to be [decided on] after attitude of Chungking Government made clear; and (5) relations between Nanking and Chungking Governments to be settled between themselves. In October Chou Fu-hai sent representatives to General Ku Chu-tung, Commander of Third War Area, with a series of peace proposals from the Generalissimo which included above mentioned five points. It was also stated that if peace with China not obtained, Japan will move capital to Hsinking or Kalgan, give up islands and carry center of war to Chinese continent—thus threatening to destroy Chinese economy, giving upper hand to United States Army and giving Communists an opportunity to expand. Chungking was urged to declare neutrality before American troops landed on coast and Chou requested that Chungking send a high ranking official to reside in Shanghai or Nanking to maintain contact with both Japs and puppets. In November General Ku sent letter to Chou approving of proposals, offering an exchange of information and volunteering no [*to*] attempt to bring Nanking and Chungking together. [Tsai Pei], puppet Ambassador to Japan, on his return to Nanking urged one Li Shih-hao

<sup>91</sup> The complete text of each of these was forwarded to the Department by the Chargé in China, in his despatch No. 170, February 23, not printed.

<sup>92</sup> Gen. Kuniaki Koiso, Japanese Prime Minister.

to proceed to Chungking to discuss matters with Chiang. Li reportedly sent his son, Li Yin-shu, formerly Assistant Manager of the Central Trust in Hong Kong, in his place and Li Yin-shu left for Chungking in December 1944. "It is possible that Li will see [Chen Pu-lei?] (a relative) after he arrives in Chungking." *End of Summary.*

Such is the "documentary proof" cited by Captain Evans that there have been negotiations between the Chungking Government and the Japanese.

In part 5 of my telegram to the Department dated December 23 [24], 1944,<sup>93</sup> I stated that certain American diplomatic and military officers believed that the Generalissimo had made a deal with Japan and that without such a deal his Government would collapse. I also stated that I was not impressed by such stock arguments of imperialists, the Chinese Communist Party and other opponents of a united China but that I was recounting them for the record [apparent omission] in the document as true it would still fail to prove anything of the nature reported by our diplomatic agents and our military intelligence officers. The purpose of attempting to show an agreement between the Chinese National Government and the Japanese is indicated more fully in the analysis of the documents given below.

3. The second document referred to was received from the Communists at the same time and states in summary as follows:

There are at present approximately 900,000 puppet troops in China including 410,000 regulars and 490,000 local troops. During 1944 Communist forces won over 34,167 puppet soldiers (or approximately 3.8% of the total puppet strength in China) and 20,850 rifles, side arms, mortars, field pieces, et cetera. It is estimated that with American financial help the former figure could be increased during 1945 to 90,000 men or 10% of entire puppet force. Budget is divided into 2 parts: (1) expenses for political and financial measures for buying over puppet soldiers and officers together with their arms and (2) reserve fund to be used for sabotage and demolition work to be carried out behind Jap lines by the puppet troops. *End of Summary.*

In his covering letter to Wedemeyer dated January 23 General Chu Teh requested that the United States Army lend the Communist army \$20,000,000 United States currency for this undertaking and stated that his army would assume full responsibility for repayment following victory over Japan.

4. These two documents apparently have a real connection in that the proposal for making a loan of \$20,000,000 to the Communists suggested in the second is predicated on acceptance by us of the "proof" of the bad faith of the National Government presented in the first

<sup>93</sup> See unnumbered telegram of December 24, 1944, from the Appointed Ambassador in China, *Foreign Relations*, 1944, vol. VI, p. 745.



document. The injunction contained in the telegram to military headquarters to the effect that the documents not be shown to me together with the other advice given indicates clearly that the Communist leaders were fearful that I might penetrate their scheme; it also indicates clearly that the Communist Party hoped to bypass this Embassy as well as the National Government to obtain financial assistance and arms through our military establishment without the knowledge of the Government of China or this Embassy.

While financial assistance of the type requested by General Chu might in the end prove to be more economical than importing a similar quantity of arms and ammunition from the United States for use against Japan, I am of the firm opinion that such help would be identical to supplying arms to the Communist armed party and would therefore be a dangerous precedent. The established policy of the United States to prevent the collapse of the National Government and to sustain Chiang Kai-shek as President of the Government and Generalissimo of the armies would be defeated by acceptance of the Communist Party's plan or by granting the Lend-Lease and monetary assistance requested by General Chu Teh.

General Wedemeyer and myself have been working in closest cooperation on this subject. He has finally instructed his officers to refrain from participating in political discussions at least until we have reached a decision in the controversy now pending between the Chinese Communists armed party and the National Government of China.

Copies of documents referred to herein are going forward to you by pouch.

HURLEY

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893.00/2-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>94</sup>

CHUNGKING, February 18, 1945—11 a. m.

[Received 4:55 p. m.]

242. Part 4. Following is a report on the negotiations currently taking place between the National Government of China and the Communist Party of China. Participating in these conferences are Dr. T. V. Soong, Acting President of Executive Yuan and Minister of Foreign Affairs, Dr. Wang Shih-chieh, Minister of Information, and General Chang Chih-chung, Director of Political Training of National Military Council, representing the National Government, General Chou En-lai, representing the Communist Party of China, and myself

<sup>94</sup> This telegram is part 4 of an extensive report; part 1 is telegram No. 141, January 31, 6 p. m., p. 192; part 2 is telegram No. 180, February 7, 8 a. m., p. 205; part 3 is telegram No. 238, February 17, 7 p. m., *supra*.

attending on invitation of both parties. At the close of our second meeting, on January 24, Dr. Wang Shih-chieh presented for consideration the following: (for text see Emstel 243, February 18, 11 a. m.<sup>95</sup>).

(N. B. Of course, I had to state that I had no authority from my Government to agree that an American Army officer would participate as indicated in the plan.) But after this document had been fully digested by General Chou En-lai, he said to me that Dr. Wang Shih-chieh had either purposely evaded the issue in the document or he was not yet fully impressed by the chief objectives of the Communists. He said that notwithstanding the Generalissimo's New Year's speech,<sup>96</sup> in which he spoke of the necessity at an early date of adopting a constitution and returning the control of the Government to the people, the document presented by Dr. Wang Shih-chieh was wholly predicated on concessions to be made by the Kuomintang while the Kuomintang was still to remain in control of the Government. Chou En-lai repeated the definite position taken by Mao Tse-tung and himself when I was in conference with them at Yen-an and which they attempted to state in the Communist five points, dated November 10, 1944, signed by Mao and submitted to the National Government, namely, that the Communist Party will not submit the command of its troops to the Kuomintang Party; and that it will submit command of its troops to the National Government and will join the National Government to unify China only when the one-party rule of the Kuomintang has been abolished and control of the Government turned over to a coalition administration composed of the representatives of political parties. Chou En-lai further stated at that time that he agreed that a military council or commission should be appointed for the reorganization and unification of the Chinese armed forces. He would not agree that such a commission would be permitted to reorganize Communist troops alone. He contended that the entire Chinese military establishment should be reorganized and he was favorable to an American serving on the commission which would provide a plan for and direct such reorganization.

This position was made known to the Generalissimo by me in a conference attended by the Generalissimo, Dr. T. V. Soong, Dr. Wang Shih-chieh and myself. The Generalissimo pointed out that he was calling a meeting for the 4th of May in keeping with the will of Dr. Sun Yat-sen and with Chiang's New Year's speech and the purpose of taking steps to draft a constitution, to pass the control of the National Government to the people and to abolish the one-party rule of the Kuomintang. At this point the Generalissimo made

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<sup>95</sup> *Infra*.

<sup>96</sup> See memorandum of January 2, by the Chief of the Division of Chinese Affairs, p. 153.

the definite statement that in his opinion all the political parties in China, including his own, constituted less than 2% of the Chinese people. He believes that it would not be for the best interest of China to turn the control of the Government over to any political group or to a coalition of political groups. He believes it to be his duty to have a democratic constitution for China adopted by a convention in which all the people of China, and not alone the organized political minorities, will participate. He expressed his belief that the Chinese Communist Party is not in fact a democratic party; that they profess to be democrats only for the purpose of trying to achieve control of the administration of the National Government. He stated very pointedly that the word "communism" does not mean "democracy"; that if the Communist Party was as democratic as they claim to be he doesn't understand why they still call themselves Communists. I suggested to the Generalissimo that he was losing valuable time and again I said that he could afford to make political concessions and shorten the period of transitions in order to obtain control of the Communist forces. I stated that the Generalissimo's most important objective at the moment is unification of the Communist military forces with those of the National Government. This would be the first step toward China's major objectives, namely: (1) unification of all military forces to defeat Japan; (2) unification of China to prevent outside forces from keeping China divided against herself; (3) prevention of civil war in China and (4) a united, free, democratic China under a democratic constitution adopted by a convention of the Chinese people.

In the meantime Chou En-lai had devoted all of his time in the conferences toward advocating a friendly consultative meeting in Chungking of representatives of the Kuomintang, the Communist Party and other parties. He suggested also that some non-partisan persons be invited to attend this meeting. I had heretofore suggested that a bi-partisan group be set up which would devise the plans for unification, serve as a procedural steering committee and guide the conduct of all parties during the transitory period while the Government is emerging from a one-man, one-party government into what would, at least in theory, be a government of the people, by the people and for the people with a constitution and appropriate laws.

During each debate, a great deal of which was academic, the position and objectives of the Kuomintang and the success of the Kuomintang in conducting the Government up to the present were ably described by Dr. T. V. Soong. The objectives of the Communist Party were presented by Chou En-lai. T. V. Soong took the position that the Kuomintang is the party of reformation in China; that it is the party of Sun Yat-sen; that it is the party of liberalism; that it is the

party of a government by laws and not by men; that it has been steadfast in upholding its ideals through the revolution and during the war of resistance; that historically it is now responsible for the Government of China; that without the Kuomintang there would be chaos in China; and that since he had become Acting President of the Executive Yuan he felt keenly his responsibility for preventing the chaos which would result from a collapse of the Chinese National Government. Soong pressed his case vigorously and eloquently. Chou En-lai countered that he agreed to most of Dr. Soong's arguments, but that now the time had come when, in accordance with the will of Dr. Sun Yat-sen and the desires of the Chinese people, the Government should be turned back to the people. He insisted that the only way of conducting the Government in the interim was for the leaders of the great parties of China to trust each other and to form a coalition to sustain the Government through the transitory period. Soong replied that he was not in favor of surrendering authority in the midst of war which would constitute a weakness that might cause the collapse of the Government. Chou answered with assurances that, if the proper concessions were made, the Central Government would have the unlimited support of the Communist Party. He also stated that he felt that China must be united; that otherwise nations interested in China economically would keep China divided against herself and would prevent her from developing economically and from taking her place among the nations of the world.

At this stage, Dr. Wang Shih-chieh told me that he felt that I favored the position now taken by Chou En-lai. I told him frankly that I was not in full agreement with the position taken by Chou but that we had debated the fundamental issues involved so long that everyone was merely repeating what had been said before. I pointed out to Dr. Wang that he and others had been negotiating with the Communists for over 5 years; that every one had made too many speeches; that there had been too much negotiation and no action.

Dr. Wang and General Chou were then appointed to form a committee to draw up an instrument which would make action possible. On February 3d Dr. Wang presented the following draft to me: (for text see Embstel 244, February 18, 1 p. m.<sup>97</sup>).

That afternoon I saw Chou who informed me that he was sending the draft to Yen-an. For the first time he felt that we were reaching a basis where we could all cooperate. The next day, with T. V. Soong, I discussed the matter with the Generalissimo. The Generalissimo said he had consented to the plan stated in the foregoing proposal but

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<sup>97</sup> *Post*, p. 230. See also telegram No. 243, February 18, 11 a. m., from the Ambassador in China, *infra*.

he felt that the Communists had obtained what they had been endeavoring to obtain all along. I told him very frankly that the only instrument heretofore with which he could have worked with the Communists was the 5-point agreement; that if he had revised that agreement at the time it was offered, the Communists, in my opinion, would have accepted reasonable revision; and that it is still the only document in which there is a signed agreement by the Communists to submit control of their armed forces to the National Government.

It is true that in the last proposal the Communists agree to a political program to be followed, but the unification of the armed forces is still predicated on political action to be taken by the Kuomintang in the future. Another factor is that the conclusions of the suggested political consultative committee must be unanimous before the National Government will be bound to act and this restriction would appear to narrow the chances for successful culmination.

This last document has been transmitted to Yen-an. The Generalissimo has now said to me that if the Communists should accept the suggestions contained in the document, last above quoted, we [*he?*] would be willing to incorporate these suggestions in the 5-point document. All references to a coalition government would, however, have to be eliminated from the 5-point document while the provision for the submission of the Communist troops to the control of the National Government and all democratic proposals and objectives would be retained.

All the arguments and all the documents submitted should indicate to you that the Chinese Communist Party is not democratic; that its purpose is to destroy the control of the government by the Kuomintang before there has been an opportunity to adopt a constitution or to return the control of the Government to the people on a democratic basis. The Government representatives state that the real purpose of the Chinese Communist Party is not the abolition of the one-party rule by the Kuomintang but as indicated by all the maneuvers made by the Chinese Communists is to overthrow control by the Kuomintang Party and obtain a one-party rule of China by the Chinese Communist Party. The Government representatives, including the Generalissimo, claim that the Communist support of democratic principles is merely a camouflage which they are using in an attempt to gain control of the Government under the one-party rule of the Communists. The Government further contends that whether by accident or design the Kuomintang has had the responsibility of leading China during turbulent episodes over a long period. The Kuomintang's purpose is to have a democratic constitution adopted and to return the Government to the people. It will not surrender its authority in these troublous times to a coterie of parties in a so-called coalition government. It

will appoint a bi-partisan war cabinet with policy making powers but will retain control of the Government until control is returned to the people under a democratic constitution. They claim that surrendering the power of government to partisan organizations would not be returning the power to the people. The Generalissimo stated that he wanted the Communists to accept the latest offer of the Government which has been made in good faith and with every possible guarantee that their armed forces would not be destroyed or discriminated against. He called special attention to the desirability that all parties should avoid mutual recriminations of any kind while the parties are attempting to agree upon procedure for the conduct of all parties during the transitory period while the Government is passing from a one-party government to a people's democratic constitutional government.

He pointed also to the ridiculous charges that were made by the Chinese Communist Party that the Chinese National Government was negotiating an agreement or had made an agreement with Japan. He alleges that this falsehood was propagated by the Chinese Communist Party for the purpose of breaking the faith of the United States in the integrity of the Chinese National Government. He said that this falsehood has been accepted and reported as if it were true by misled but well meaning Americans. He stated that there had been a lot of false propaganda to the effect that the Chinese Communist Party is a democratic party. He believes that this statement is as false as the statement that the National Government is negotiating an agreement or has negotiated an agreement with Japan. He said if the Chinese Communist Party is really supporting the program for the unification of China on a democratic basis they should quit propagating falsehoods. The Generalissimo also stated that the claims of military strength made by the Chinese Communist Party are untrue and are made only for the purpose of trying to convince the world that China is seriously divided when in fact the overwhelming majority of the Chinese people are supporting the National Government, and the program for adopting a democratic constitution and returning the control of the Government to the people. He said the Chinese Communists, without changing their name or their principles, now say they are a leading democratic party in China. He said in all this their purpose is to effect a coup by which they would take control of the National Government and convert it into a one-party Communist government the same as Russia. He said that the Chinese Communist Party's hopes for success are based on the fact that they believe that if Russia enters the war in Asia it will support the Chinese Communists against the National Government. Notwithstanding all this, the Government had decided to undertake this bold measure of returning the rule to the people in the midst of a war; that now the

Government so invites the Communists and other party representatives, with complete freedom of travel, to meet on an equal status for the purpose of intensifying efforts against the enemy and strengthening national unity and to provide a program for completing the period of tutelage and establishing a democratic constitutional government. The Generalissimo said that if the Communists really want a democratic constitutional government this gives them ample opportunity to participate in inaugurating it. General Chou En-lai left for Yen-an on February 16th. He believed that his party would agree to the political consultative meeting provided for in the document last above quoted. He was of the opinion, however, that the one-party rule should be immediately ended and that a coalition administration should be instituted to guide China in forming a democratic government based upon a democratic constitution adopted by a people's convention.

I have pointed out that all this is very encouraging but it does not immediately accomplish the unification of the armed forces of China. I have said that I feel that China's position in the forthcoming San Francisco Conference will suffer if she cannot show a greater degree of unification than that indicated.

I am convinced that our Government was right in its decision to support the National Government of China and the leadership of Chiang Kai-shek. I have not agreed to any principle or supported any method that in my opinion would weaken the National Government or the leadership of Chiang Kai-shek. I have, however, on many occasions advised the Generalissimo and Soong that China must furnish her own leadership, make her own decisions and be responsible for her own domestic and international policies.

General Wedemeyer has been kept fully informed of the progress of these negotiations and has read this report. He stated in his opinion it is an excellent and logical presentation of the facts.

End of part 4.

New subject: I had prepared a reply to your number 200 of February 16th [6]<sup>98</sup> which I did not send. In your message you appear to have reduced my role in these negotiations to the position of merely making a suggestion without implementing the suggestion. That is the method followed by Ambassador Gauss when he transmitted the President's and the Secretary of State's message on September 9th last.<sup>99</sup> That message, as you now know, obtained no results whatever because it lacked vigorous implementation. I decided, however, not to send the telegram as I hope to see you and discuss the situation

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<sup>98</sup> *Post*, p. 852.

<sup>99</sup> See telegram No. 1196, September 9, 1944, 4 p. m., to the Ambassador in China, *Foreign Relations*, 1944, vol. VI, p. 567.

more fully. It is my earnest desire to be amenable to every suggestion from State Department even when I believe our position is weakened and accomplishment postponed by lack of vigorous implementation of suggestions. Perhaps this respite in negotiations and my visit with the State Department will clarify my mind on the distance I will be able to go in promotion of the war effort by inducing or compelling the unification of Chinese armed forces and coordination of effort to assist us in the defeat of Japan.

HURLEY

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893.00/2-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 18, 1945—11 p. m. [*a. m.*]  
[Received February 18—10:25 a. m.]

243. [Text of National Government's draft of January 24.<sup>1</sup>] Besides the three points contained in the previous Government proposal,<sup>2</sup> the National Government is prepared to take the three following measures:

[Here follows text of Statement by Chinese Government Representatives printed on page 185.]

HURLEY

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893.00/2-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 18, 1945—1 p. m.  
[Received February 18—10:05 a. m.]

244. [Text of National Government's draft of February 3.<sup>3</sup>] In order to intensify our war effort against the enemy and strengthen our national unity it is agreed that the National Government should invite the representatives of the Kuomintang and other parties and some non-partisan people to a consultative meeting. This group is to be named the Political Consultation Committee and its membership is not to exceed a (blank) persons.

The function of this committee is to study (*a*) the steps to be taken in winding up the period of tutelage and establishing constitutional government, (*b*) the common political program to be followed in the

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<sup>1</sup> For presentation of this draft by Wang Shih-chieh to the Ambassador in China, see the Ambassador's telegram No. 242, *supra*.

<sup>2</sup> Telegram No. 143, January 31, 8 p. m., from the Ambassador in China, not printed.

<sup>3</sup> For presentation of this draft by Wang Shih-chieh to the Ambassador in China, see the Ambassador's telegram No. 242, February 18, 11 a. m., p. 223.



future and the unification of armed forces and (c) the form in which members of the parties outside the Kuomintang will take part in the National Government.

If the said Political Consultation Committee succeeds in reaching a unanimous conclusion, it will be submitted to the National Government for approval and execution and while the Political Consultation Committee is in session, all parties should avoid mutual incriminations of any kind.

HURLEY

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893.00/2-1945: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING [February 18, 1945.]

[Received February 19—2:10 p. m.]

245. Referring to Department's recent telegram.<sup>4</sup> Following is reputed text of statement of February 14 by Chou En-lai.

The representative of the Government, Dr. Wang Shih-chieh's statement at the press conference for the foreign correspondents on Wednesday is not frank. [It] (is) unfair. For he only mentioned the so-called concessions from the Kuomintang side in the Kuomintang-Communist negotiations without explaining under what conditions or prerequisites will these concessions be made. First, in the negotiations the National Government demands that the Chinese Communist [Party] should give over all the troops under their leadership to the control of the military council of the National Government; that is to say, to turn over to be under the control of the Kuomintang, for the National Government is a government of one-party rule by the Kuomintang. Second, in the negotiations the Kuomintang obstinately insisted that the one-party dictatorship will not be concluded at present.

Because of these two conditions or prerequisites, all these concessions only become either impractical or meaningless. Even more, they are not concessions but conditions hampering and detrimental to the forces of the war of resistance. To speak concretely, these mean: first, there will be no legal status for the Chinese Communist Party if its troops are not given over to the Kuomintang Government; second, the members of the Military Council have never met, have no power whatsoever; third, the so-called War Cabinet under the party-ruled Executive Yuan has no power for final decisions of policy; fourth, one-party rule will not be abolished. The military policy of excluding others will not be changed, under which

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<sup>4</sup>Telegram No. 267, February 16, 9 p. m., p. 219.

condition formation of the Joint Committee of Three to discuss the reorganization of Communist troops is still the same as giving over the Chinese Communist troops to the Kuomintang Government. However, on the basis of achievements in fighting against the Japanese, it is not the Chinese Communist troops that should be reorganized but the Kuomintang troops. When these are made clear it will be understandable why I, representing the Chinese Communist Party, refused the whole proposal of the National Government. This is one side. On the other side, the more important reason is, the National Government has refused our proposal of establishing a democratic coalition government, a united high command in order to unite all the armed forces, to change political, military, economic, cultural, and other policies. We have also proposed to the National Government, the Kuomintang, and the Chinese Democratic Federation to call an inter-party conference to discuss and decide how to put an end to one-party rule, how to reorganize the Government into a democratic coalition government, to draft a common political program—so that, after it is agreed upon, the plan of establishing a democratic coalition government can be realized.

The reply of the National Government is a conference advisory in nature; and its main content, which they figured out beforehand, is to be the maintenance of one-party dictatorship and the opposition to democratic government. Thus I must return to Yen-an to report to the Central Committee of my party.

As to our hope that the National Government will first release patriotic political prisoners, annul all decrees suppressing the people, stop all activities of the Special Service agencies, withdraw all troops surrounding the Shensi-Kansu-Ninghsia border region and attacking the Eighth Route Army and the New Fourth Army, the Government authorities have not accepted. Such is the main content of the negotiations between the two parties in the past few months.

As to the American Ambassador General Hurley's enthusiastic help and continuous efforts in the negotiations during the past few months, we take this chance to express here our thanks.

HURLEY

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S93.00/2-1845: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 18, 1945.

[Received February 19—12:48 p. m.]

246. Referring to Department's recent telegram.<sup>5</sup> Following is transcript of pertinent portion of Wedemeyer's press conference of February 15.

<sup>5</sup> Telegram No. 267, February 16, 9 p. m., p. 219.

“Question: Any comment on the failure of the Kuomintang-Communist negotiations?”

Answer: I have tried to stay out of the political. I have heard rumors that they were not getting together but nothing official and I do not enter into these negotiations at all. I feel that I am a soldier and my job overseas is to get on with the war. Of necessity I have contact occasionally with political matters. I can't help it. I have tried to avoid it but I can't help it.

I don't think they have broken down completely, exactly. I understand they are going to continue these conferences. I don't believe it is final. That is the rumor that I have heard. Officially, I have not heard anything. The American Ambassador is responsible for the American side of these negotiations. I am not and I have not been asked to participate at all.

I would like to let you all know my feeling. It is quite strong on the subject of political matters here. I have required every officer to sign that he understands my policy with reference to China theater. Every American officer is required to sign this indication that he has read and understands it. My policy is this, that we will not give any assistance to any individual, to any activity, or any organization on [*sic*] within China theater, we American officers, we American military people. These are my orders and I am going to carry them out. Obviously we get requests from time to time for assistance from various sources but I am ordered to support the Central Government and I am going to do that to the best of my ability. The Central Government is recognized by my Government.

I add just this one thought—I hope with all my heart that the Chinese get together and resolve their differences before the war is over. I feel it is a wonderful opportunity to get together right now while they are fighting against a common enemy. I hope that they will, because it will strengthen the military effort considerably. There is no question about it in my mind.”

HURLEY

893.00/2-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 18, 1945.

[Received February 18—6:02 p. m.]

247. Referring to Department's recent telegram.<sup>6</sup> Following is reputed text of statements of February 14th by Wang Shih-chieh.

“For the past fortnight the Government representatives, of whom I am one, have been conferring with the Communist representative, Mr. Chou En-lai, in Chungking. The Government proposed to make a number of important concessions, which include among other things the following:

1. Recognition of the Chinese Communist Party as a lawful political party.

<sup>6</sup> Telegram No. 267, February 16, 9 p. m., p. 219.

2. Inclusion of representatives of the Communists and representatives of other political parties in the Executive Yuan with a view to forming a sort of war time cabinet.
3. Inclusion of high ranking Communist officials among members [of] the National Military Council.
4. Setting up a Committee of Three to consider reorganization of the Communist Army and the question of their supplies. In this committee the Government and Communist representatives to be on equal footing, and possibly an American Army officer to preside.

However, the Communists considered these proposals unacceptable to them. They rejected them. The Communists brought forth a proposal to convene a conference of all political parties. It is in compliance with the general idea of this request that the Government has again consented to convene a conference comprising representatives of the Kuomintang, the Communist Party and other parties, as well as some nonpartisan independent leaders, to consider interim measures for political and military unification pending convocation of the National Congress.

Mr. Chou is returning to Yen-an with these Government proposals to consult his party. As to the final outcome, I shall make no forecast. I should like to add that in the course of the negotiations we appreciated the disinterested and friendly effort of the American Ambassador, General Hurley in bringing the two sides together and in having created a better atmosphere of discussion.

Question: Will this inter-party conference have power to make decisions binding on the Government?

Answer: When decision is reached by procedure agreed upon, the Government will be bound."

HURLEY

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893.00/2-1945: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 19, 1945—11 p. m.

[Received February 20—1:06 p. m.]

249. Late tonight I received the following telegram through secret Army transmission from General Chou En-lai, Vice Chairman of the Central Committee of the Communist Party of China:

"Following letter dated February 18:

Dear General Hurley: I am ever grateful for the kindness extended to me while I was in Chungking. After my return to Yen-an I have made a detailed report to the Central Committee of my Party and to Chairman Mao Tze-tung. Since at present the democratic coalition government has not yet come into existence in China and the existing National Government is completely a one-party dictatorship of the Kuomintang which can represent neither the 10 million people of the Chinese liberated areas nor the common will of the broad masses of people in areas under Kuomintang control, consequently, in the United

Nations Conference which is to be convened on April 25 in San Francisco, China cannot be represented by a delegation sent by the Kuomintang Government only. While I was in Chungking you told me that the delegation to the San Francisco Conference should consist of the representatives of the Kuomintang, the Communist Party and the Democratic Federation. The Central Committee of our Party and Chairman Mao Tze-tung are in complete agreement with you. We consider furthermore that the representatives of the Kuomintang should be limited to  $\frac{1}{3}$  of the delegation [garbled passage omitted]. The other  $\frac{2}{3}$  of the delegation should be sent by the Communist Party and the Democratic Federation. Only then can the common will of the Chinese people be fairly represented, otherwise that delegation could never be in a position to settle any problem in the conference on behalf of China. Will you be so kind as to transmit this message to the President of the United States. With my best regards and respects, signed: Chou En-lai.”

I immediately replied <sup>7</sup> to Chou En-lai as follows:

“Thanks for your kind telegram. I was happy to hear from you. I did discuss with you the coming conference at San Francisco but I made it clear to you that only the National Government of China has been invited to participate in that conference. I made no attempt to decide how the National Government would be represented in the conference. I had no authority to make a decision on that subject, that is the prerogative of the National Government. It is altogether proper for me to express to you my candid opinion which is that the President and Generalissimo of the National Government of China, known internationally as the Republic of China, will be recognized as the representative of China at the conference and the President alone, in my opinion, will select the staff which will accompany him. The conference at San Francisco is to be a conference of nations, not of political parties within nations. The Communist Party of China is not a nation and, as far as I know, no one has recognized it as a nation. It is one of the political parties of China. The only difference from the ordinary political party is that it is armed. I am further of the opinion that recognition by the conference of any armed political party in China other than the National Government would destroy the possibility of unification of China. I urge that Mao Tze-tung, your Chairman, and you, as Vice Chairman and my friends, consider only the methods by which you can unite with, be included in and cooperate under the National Government of China. On my return, I hope to be able to see Chairman Mao, you and General Chu and be in a position to discuss the situation fully with you.”

General Chou's statement that I told him that the delegation to the San Francisco Conference should consist of anyone other than the head of the National Government of China and his staff is untrue. You will note that the whole tenor of my reply is a denial of the truth of that statement but I thought it best not to charge him directly

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<sup>7</sup> Apparently on February 20.

with falsification as I think I may be able to use this episode to assist in our effort to bring about the unification of the military forces of China.

HURLEY

893.00/2-1945 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 19, 1945.

[Received February 19—5:35 p. m.]

251. Following is translation of portion of interview with Dr. Sun Fo concerning coalition government as reported in the *Hsin Hua Jih Pao* on February 16.

“That China has been fighting a war of resistance for 8 years without being able to find a solution for her internal political problems, is both a fact and a mistake that cannot be denied. Today, many problems of Europe and of the world, including those of Greece, Poland, Yugoslavia, Belgium, have been generally settled, while China is still confronted with her serious internal political problems. Will China settle her own internal problems? Or will these problems have to be brought up in an international meeting for settlement? This certainly is a question that deserves our immediate consideration and cooperative efforts. Present day France is a good example for us to follow—France who has so swiftly lifted her international status by finding a democratic solution for her internal problems. If before the opening of the United Nations conference, China cannot solve her internal political problems, China may not be able to attain her due international status.

When the topic touched upon the methods of solving China's internal political problems, the reporter asked Dr. Sun's opinion on a coalition government. Dr. Sun said that there should be a clear understanding of the idea of a coalition government which, following a democratic form, should admit all parties and sects to participate in strengthening effective administration, though such a government is still a provisional one, for the future government will have to be organized through a popular election. Instances of coalition government have frequently occurred in European history. All unnecessary worry and fears connected with the idea of a coalition government will be banished by a clear understanding of its true meaning; the path of democracy is the path to solving our internal problems.”

Following is report of another interview with Sun Fo as published in Central News Agency English service on February 17 on same subject:

“Interviewed by the Central News yesterday afternoon, Dr. Sun Fo, President of the Legislative Yuan, said that the report carried in the *Hsin Hua Jih Pao* on his interview with the paper's reporter on the question of ‘coalition government’ had discrepancies with what he actually said.

Dr. Sun said that the so-called 'coalition government' is a foreign term which the Chinese have now adopted. The British and French cabinets are responsible to their Parliaments which are in turn responsible to the people. The people elect members of Parliament and members of Parliament elect the cabinet to administer affairs of the state. Sometimes there is one-party rule as in the case of the British cabinet in 1931. Sometimes there is a coalition cabinet as in the case of the British cabinet formed jointly by the Labor, Conservative and Liberal parties since 1931. But whether it be one-party rule or a coalition cabinet formed by different parties, it is based on the constitution and can not be formed at anybody's will. Britain will have another election in autumn which may result in a coalition cabinet or one-party rule. In the latter case, the party which gets the majority of votes will govern and there will be no need of a coalition government.

China, Dr. Sun continued, has no such precedent nor such experience. Some people who do not have a clear grasp of the meaning of coalition government think that it is any government formed by different parties. But they are mistaken. It should be pointed out that prior to the promulgation of the Constitution and the setting up of representative bodies of local public opinion in all places, it is questionable whether a government organized by different parties can be responsible to the entire nation. Even if a so-called 'coalition government' is organized, it can hardly be a fully responsible government.

Asked whether such a 'coalition government' can cope with the current national situation, Dr. Sun replied:

'China's urgent problem at present is to bring about closer cooperation and national unity. National unity may be attained either by force or by political means. Modern progressive nations generally avoid the use of force and resort to political means to settle domestic problems. At this juncture China should particularly resort to political means to effect national unity and cooperation. This is the purpose of the supreme leaders. But such national unity and cooperation cannot be realized merely by the formation of a "coalition government". Their realization depends upon four basic conditions: First, whether the different parties agree to the establishment of a *San Min Chu I* state. Second, whether the different parties recognize the leadership of the Kuomintang both in the past and in the future. Third, whether the different parties recognize Generalissimo Chiang Kai-shek as the national leader. [Fourth,] Whether the different parties recognize the armies as belonging to the state.

If these four basic conditions are universally recognized, all other relative questions are of minor importance.['']"

ATCHESON

893.00/2-2045: Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, February 20, 1945—3 p. m.

[Received 4:35 p. m.]

258. Embassy's telegrams 245-6-7, February 18, and subsequent telegram[s]<sup>8</sup> regarding Communist negotiations. Following is extract from transcript of Yen-an broadcast of February 17:

<sup>8</sup> No. 248, February 18, not printed; for telegram No. 249, February 19, see p. 234.

“According historical results of Crimea Conference,<sup>9</sup> Yen-an *Emancipation* daily editorial today pointed out that ‘at San Francisco international conference Kuomintang dictatorship government should at most be permitted to send only one-third representatives to conference while other two-thirds should be representatives of Chinese Communist Party, Chinese Democratic League and noted non-party figures representing broad masses of liberated China, occupied China and Chungking controlled areas’. Editorial hoped that this important point would receive due consideration of three great Allies, America, Soviet Russia and Great Britain. It is honor to Chinese people to be invited to sponsor United Nations Conference at San Francisco on April 25, editorial said. ‘This is result of 7½ years of war of Chinese people against Japanese invaders, especially of heroic fighting of army and people of liberated areas behind enemy lines. But though we are among United Nations there is up till now no democratic coalition government able to represent all classes and strata of entire Chinese Nation and all party groups. There is only oligarchic, one-party, dictatorship government of Kuomintang. This government which has made no real war effort against Japan, which is hopelessly corrupt and incompetent, which is anti-democratic and anti-popular, certainly cannot represent will of people of China’. We Chinese people warmly celebrate successful conclusion of Crimea Conference and warmly welcome its decisions. Statement of leaders of three great powers greatly strengthen[s] our belief in an early victorious conclusion of our struggle against Japan and that defeat of Japanese Fascism will soon follow defeat of Nazism. At same time statement of leaders of three powers strengthens our confidence in democracy and formation of coalition government and is blow to those disciples of Fascism intoxicated by one-party dictatorship.”

ATCHESON

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893.00/2-2445 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, February 24, 1945—9 a. m.

[Received February 25—2:50 p. m.]

284. 1. American officer stationed in Ningkwo, Anhwei, has reported an engagement on February 19 between 3000 Chinese Communist troops and two regiments of Central Government troops at Hsia-feng, northern Chekiang. Fighting also reliably reported between Communist troops and Loyal Patriotic Army troops (Tai Li's forces nominally under National Military Council) at Wu hing and Chiah-sing, northern Chekiang. Central Government troops and LPA<sup>10</sup> claim to have stopped Communist southward drive in all three places. The U.S. officer mentioned above reported further that 8000 Communist troops have crossed Yangtze River in past few months, one-half

<sup>9</sup> See *Foreign Relations*, The Conferences at Malta and Yalta, 1945, pp. 966 ff.

<sup>10</sup> Loyal Patriotic Army.



driving down east side of Tai Hu (Lake) and one-half down west side. (Officer's informant is Chinese Government liaison officer and information may be exaggerated.)

Air ground aid service representative (American) in Anhwei also reports fighting between Communist and Central Government troops in northern Chekiang. He states Communists are making progress, that they are gaining new recruits, that they are receiving increased support from the people and that Central Government troops are unable to halt them. Communists' objective said to be southern Chekiang and northern Fukien coast.

2. This information would seem to be further indication that Communists are attempting to extend lines toward south and link up guerrilla pockets along coast in anticipation of providing assistance to potential Allied landing. Information also accords with statement made by Mao Tse-tung to Service<sup>11</sup> in August last year that if negotiations with Central Government failed Communists would expand southward into this area.

Naval Attaché has informed Embassy that Tai Li reportedly ordered LPA troops to cease fighting Communists and evacuate immediate area if necessary as use of American weapons (with which LPA is largely supplied) against Communists would prove embarrassing to Central Government. More probable reason for such order, if given, would be to prevent loss of American weapons to Communist troops.

ATCHESON

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893.00/2-2645 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 26, 1945—4 p. m.

[Received 4:27 p. m.]

301. Since the conclusion of the negotiations with the Communists there has been a growing impression among observers here that for various reasons the Generalissimo has greatly stiffened his attitude toward the Communists and toward the continuing faint hopes held by some liberals that a settlement might still eventually be possible.

For example, I am informed by high authority that at a recent meeting of the State Council (a nominal organization which rarely meets) Tsou Lu, old Cantonese revolutionary and party elder, asked for information in regard to the status of the question, mentioned that China should have a united front to present at the security conference<sup>12</sup> because the question of China's unity might be raised there and said that he had heard that Chou En-lai had telegraphed a demand

<sup>11</sup> John Stewart Service, Second Secretary of Embassy.

<sup>12</sup> United Nations Conference at San Francisco.

to General Hurley asking the Communists be represented at the conference. The Generalissimo, who had previously stated he had nothing to report to the Council, became enraged and delivered a stinging reprimand to Tsou, made a clear but indirect attack upon Sun Fo for the latter's recent public utterances and damned the liberals generally. He said that General Hurley had received such a telegram from Chou and had replied that the conference was a conference of governments and that only government delegations would be present. . . . He said that, if any other government brought up any question at the conference in regard to China's internal politics, China would withdraw from the conference. When delivering his rebukes and discussing the Communists, his face was red with anger and his voice and hands shook. When he finished his frightened audience remained completely silent and he adjourned the meeting, reportedly the first in over a year.

According to my informant, who was present on both occasions, some discussions of Sino-Russian relations came up at a recent small private dinner at the Generalissimo's. The Generalissimo indicated his belief that there was Soviet influence behind both the revolt in Sinkiang and the Communists' "intransigence". He said that if the Soviets contend that the Sinkiang trouble is racial in character it indicates clearly that they are behind the trouble. When one of his guests remarked upon the dangers of Soviet-Chinese Communist cooperation in the event Russia should enter the war against Japan, the Generalissimo said there was nothing to worry about as he was going to "liquidate" the Communists. My informant states that Chiang did not explain how this was to be done but turned to another subject.

ATCHESON

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893.00/2-2745 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, February 27, 1945—9 a. m.

[Received 10:16 a. m.]

304. ReEmb's 242, February 18. Soong tells me that Chou En-lai's representative here expects shortly to have a reply from Yen-an in regard to the proposal for a political consultation committee.

ATCHESON

893.00/2-2745

*Memorandum by the Second Secretary of Embassy in China  
(Sprouse), Temporarily in the United States*<sup>13</sup>

[WASHINGTON,] February 27, 1945.

*Deterioration of Relations between Lung Yun and the Central Government during the Latter Part of 1944.*

[Here follows review of events.]

*Conclusion.*

It was generally felt by informed reliable Chinese sources at Kunming that this move on the part of the Generalissimo to bring Lung Yun into line<sup>14</sup> was prompted by an effort to reinforce the Chungking Government's position vis-à-vis the Chinese Communists. There were rumors at Kunming that the Generalissimo had sent similar emissaries to Chengtu to approach the Szechuan militarists. These Chinese observers believed that the Generalissimo realized that neither the Yunnanese nor Szechuanese provincial authorities represented a threat on a national scale to the Central Government and that Chungking could at this time make concessions to these factions, which would on the one hand lessen the possible present opposition to the Central Government and would on the other hand strengthen Chungking's position vis-à-vis the Communists. Whatever the post-war situation in China, war-lordism could not endure and the elimination of provincial elements was merely a matter of time and of gradual extension of Central Government economic and financial influence into the provinces. Chinese observers at Kunming felt that Lung had agreed to these proposals as a means of strengthening his provincial military position and that he would "sit tight" and await future developments.

The appointment of General Lung Yun as Deputy Commander-in-Chief of the Chinese Armed Forces, as described in Embassy's telegram no. 257, February 20, 2 p. m.,<sup>15</sup> may represent a further step in the process of bringing Lung Yun into the Central Government fold and may be a logical result of earlier discussions between Lung and both Liu Chien-chun and General Ho Ying-chin himself, who arrived in Kunming on November 25. The appointment of General Yang Sen, a Szechuan general, as Chairman of the Kweichow Provincial Government, might represent part of a similar understanding with the Szechuan authorities. If General Chang Chun is succeeded as

<sup>13</sup> Notation at end of memorandum stated that "the period covered by this memorandum is that between July and November, 1944, inclusive, during which Mr. Sprouse was stationed at the Consulate General at Kunming."

<sup>14</sup> It was reported that through an agent Chiang Kai-shek had promised Lung Yun to allocate lend-lease supplies for Yunnan provincial troops in return for Lung Yun's cooperation in measures to suppress dissident elements in Yunnan.

<sup>15</sup> *Ante*, p. 51.

Chairman of the Szechuan Provincial Government by a Szechuanese pleasing to the local interests (Chang Chun's removal from this office is suggested by reports that he is to take an important post in the Central Government at Chungking), there would seem to be grounds for assuming that the Generalissimo had arrived at some understanding with Szechuan provincial interests.<sup>16</sup>

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893.00/2-2845 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 28, 1945—1 p. m.

[Received 3:07 p. m.]

324. The situation in China appears to be developing in some ways that are not conducive to effective prosecution of the war, nor to China's future peace and unity.

1. The recent American attempt through diplomatic and persuasive means to assist compromise between the factions in China was a necessary first step in the handling of the problem. Unity was correctly taken to be the essence not only of the most effective conduct of the war by China but also of the peaceful and speedy emergence of a strong, united and democratic China.

But the cessation of Japanese offensives, the opening of the road from China, the rapid development of our Army plans for rebuilding Chiang's armies, the increase of other assistance such as the WPB,<sup>16a</sup> the expectation that the Central Government will share in the making of important decisions at San Francisco, and belief that we are intent upon the definite support and strengthening of the Central Government alone and as the only possible channel for aid to other groups—these circumstances have combined to increase greatly Chiang's feeling of strength and have resulted in unrealistic optimism on his part and lack of willingness to make any compromise. (See our 301, February 26, 4 p. m.)

This attitude is reflected in, among other things, early hopes of a settlement with Russia without settlement of the Communist problems, when nothing was finally offered but an advisory inter-party committee without any power or place in the Government, and in

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<sup>16</sup> In a memorandum of February 27, addressed to the Director of the Office of Far Eastern Affairs (Ballantine) and the Deputy Director (Stanton), the Chief of the Division of Chinese Affairs (Vincent) commented on Mr. Sprouse's remarks as follows: "It should be pointed out that any understanding of this nature reached between the Central Government and provincial interests does not preclude the possibility of provincial support of any movement against the Chungking Government if provincial interests felt that it was assured of success and that it was to their advantage to join such a movement."

<sup>16a</sup> War Production Board.

recent military-political appointments which place strong anti-Communists in the strategic war areas and name reactionaries<sup>17</sup> such as Admiral Chan Chak (Tai Li subordinate) to be mayor of Canton and General Ho Kuo-kuang (former commander in chief of *Gen-darmerie*) as chairman of Formosa.

2. The Communists for their part have come to the conclusion that we are definitely committed to the support of Chiang alone, and that we will not force Chiang's hand in order to be able to aid or cooperate with them. In what they consider self-protection, they are therefore following the line of action (forecast in statements of Communist leaders last summer if they continued to be excluded from consideration) of actively increasing their forces and aggressively expanding their areas southward, regardless of nominal Kuomintang control, [to?] reach southeast China. The Department is referred to our 284, February 24, 9 a. m., reporting large movements and conflicts with Central Government forces already taking place. In grasping time by the forelock, the Communists intend to take advantage of the isolation of East China by the Japanese capture of the Canton-Hankow Railway, to make themselves as nearly invincible as possible before Chiang's new armies now in process of formation in Yunnan are ready, and to present us the dilemma of accepting or refusing their aid if our forces land anywhere on the China coast. Communists close to the leaders are now talking of the necessity of their seeking Soviet assistance. The party itself is broadcasting demands for Communist and other non-Kuomintang representation at San Francisco, and is actively considering creation of a unified council of their various independent guerrilla governments.

3. The conclusion seems clear that, although our intentions have been good and our actions in refusing to deal with or assist any group but the Central Government have been diplomatically correct, if this situation continues and our analysis of it is correct, chaos in China will be inevitable and the probable outbreak of disastrous civil conflict will be accelerated. Even for the present it is obvious that this situation, in which we are precluded from cooperation with the large, aggressive and strategically situated armies and organized population of the Communist areas, as well as the forces such as the Li Chishen [and] Tsai Ting-kai group in the southeast, is unsatisfactory and hampering from a purely military standpoint. As indicated above, the situation is also dangerous to American interests from a long-range point of view.

Unless checked, this situation is apt to develop with increasing acceleration as the tempo of the war in China and the whole Far East

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<sup>17</sup> Notation in brackets on the original: "to high administrative posts".

is raised and the inevitable resolution of China's internal conflict becomes more urgent. The time is short and it will be dangerous to allow affairs to drift.

4. If the high military authorities of our Government agree that some cooperation with the Communists and other groups who have proved themselves willing and are in position to fight the Japanese is or will be necessary or desirable, we believe that the immediate and paramount consideration of military necessity should be made the basis for a further step in American policy. The presence of General Wedemeyer in Washington as well as General Hurley should be a favorable opportunity for discussion of this matter.

Predicated on the assumption that the military necessity exists, the first step we propose for consideration is that the President inform the Generalissimo in definite terms that military necessity requires that we supply and cooperate with the Communists and other suitable groups who can assist the war against Japan (this would not under present conditions include forces such as the Szechwan warlords who are not in actual position to attack the enemy) and that we are taking direct steps to accomplish this end. We can assure the Generalissimo that we are not contemplating reducing our aid to the Central Government (any aid we give the Communists or other groups must because of transport difficulties be at first on a small scale and will probably be less than the natural increase in the flow of supplies into China). We may include in the statement that we will keep the Central Government informed of the extent and types of such aid. We can also tell the Generalissimo that we will be able to use the lever of our supplies and cooperation to limit independent and aggressive action on their part, restricting them to their present areas. And we can point out the advantages of having the Communists helped by us rather than seeking Russian aid or intervention, direct or indirect.

At the time of making this statement to the Generalissimo, he might also be told, if it is considered advisable, that although our effort to persuade the various groups of the desirability of unification has failed and we can no longer delay measures for the most effective prosecution of the war, we consider it obviously desirable that our military assistance to all groups be based on unity and the coordination of military command; that we are prepared to continue to lend our good offices to this end, where feasible and when asked for; and that while we believe that the proposal should come from the Generalissimo, we would be disposed to support: (1) The formation of something in the nature of a supreme war council or war cabinet in which Communists and other groups would have effective representation and some share in responsibility for the formulation and execution of joint war plans, and (2) the nominal incorporation of Communist

and other selected forces into the Central Government armies under the operational command of American officers designated by the Generalissimo on the advice of General Wedemeyer, on agreement by all parties that these troops would operate only within their present areas or specified extended areas. It should be made clear, however, that our decision to cooperate with any forces able to assist the war will not be delayed by or contingent on the completion of such internal Chinese arrangements.

Such a *modus operandi*, we believe, would bridge the present deadlock in China and serve as a preliminary move toward full solution of the problem of ultimate complete unity. As one result of the recent negotiations the principal and over-riding issues have become clear. The Generalissimo and his Government will not at this time on their own initiative take any forward step which will mean loss of face, prestige or personal power. The Communists will not, without guarantees in which they have confidence, take any forward step which will involve dispersion and eventual elimination of their forces upon which their present strength and future political existence depend. The step we propose taking will exert on both parties the force necessary to break this deadlock, and the *modus operandi* embodied in those two proposals should initiate concrete military and, as an inevitable result, political cooperation and accordingly provide a foundation for increasing future development toward unity.

These proposals would not exclude the political consultation committee plan which, if adopted, could function alongside the war council and the Government. In fact, it should be expected that the committee would be greatly strengthened.

The statements to Chiang should, of course, be made privately. But the possibility of the logical and much more drastic step, in the event of his refusal to accept it, of a public statement of policy such as that by Churchill in regard to Yugoslavia would be clearly understood.

Even though not made public, however, the fact of our assistance to the Communists and other forces would soon become generally known throughout China. This, we believe, would have profound and desirable political effects in China. There is tremendous internal pressure in China for unity based on a reasonable compromise with the Communists and a chance for the presently repressed liberal groups to express themselves. However, these liberal groups, even within the Kuomintang such as the Sun Fo group, and the minor parties were ignored in the recent negotiations by the Kmt but not by the Communists (with whom they present what amounts to a united front) and they are disillusioned and discouraged by what they feel is American commitment to the present reactionary leadership of the Kuomintang. By the steps we propose we would prove

that we are not so committed, we would greatly raise the morale and prestige of these liberal groups, and we would exert the strongest possible influence through these internal forces to impel Chiang to put his own house in order and make the concessions necessary to unity.

There is no question that such a policy would be greatly welcomed by the vast majority of the Chinese people (although not by the very small reactionary minority in control of the Kuomintang) and that it would raise American prestige. . . . The majority of Chinese believe that the settlement of China's internal problem is not so much a matter of mutual concessions as reform of the Kuomintang itself. They also declare, with justification, that American "non-intervention" in China cannot help but be in fact intervention in favor of the present conservative leadership.

Also by such policy, which we consider realistically accepts the facts in China, we could expect to secure the cooperation of all of China's forces in the war, to hold the Communists to our side rather than throw them into the arms of Russia (which is otherwise inevitable if Russia enters the war against Japan), to convince the Kmt of the undesirability of its apparent present plans for eventual civil war, and to bring about some unification which, even though not immediately complete, would provide the basis for peaceful future development toward full democracy.

5. This telegram has been drafted with the assistance and agreement of all the political officers of the staff of this Embassy and has been shown to General Wedemeyer's Chief of Staff, General Gross.

ATCHESON

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893.00/2-2845

*The Second Secretary of Embassy in the Soviet Union (Davies) to  
the Secretary of State*

TEHRAN, IRAN, February 28, 1945.

[Received March 13.]

SIR: With regard to the political alignments within the Chinese Communist Party, I have the honor to report certain information on this subject obtained since my departure from China. In view of our meagre knowledge of the internal operations of the Chinese Communist Party it is thought that, however fragmentary this information may seem, it can be of some use to the Department.

While at New Delhi in late January I was told by Dr. Chen Hanseng, one of China's outstanding intellectuals who is now working for the British Ministry of Information and who has accepted a lectureship at the University of Washington, that the Chinese Communist



Party had been split into two factions. One was a Chinese nationalist group dominated by Mao Tze-tung. The other was a pro-Russian clique headed by Wang Ming, formerly Chinese member of the Comintern. Dr. Chen said that Wang Ming's eclipse (which has previously been reported) signified the defeat of the pro-Russian group. He said that the present leaders of the Communist Party, conspicuously Mao, who has never been out of China, were without strong Russian ties. The Chinese Communist military commanders, Dr. Chen observed, were also without close Russian affiliations and were loyal to Mao.

I remarked that General Peng Teh-huai had seemed to me to be rather cool in his attitude to the United States Army Observer Section at Yen-an and that I had wondered whether the General did not have a pro-Russian orientation. Dr. Chen indicated that he believed my interpretation to be in error. He said that Peng hewed to the present party line. It is possible, as I have heard suggested, that Peng was, without being pro-Russian, simply sceptical of American cooperation with the Chinese Communists materializing.

The possibility that the pro-Russian faction in the Chinese Communist Party has been discredited received some confirmation from statements made by the Chinese Ambassador to Iran, Mr. Li Tieh-tseng, in a conversation which I had with him here on February 21. Mr. Li, formerly Chinese Foreign Office Delegate at Lanchow and a young diplomat of the bluntly aggressive school, recalled his Lanchow experiences with the Russians and the Chinese Communists. He detested and feared both. Yet when I asked him to what extent Moscow influenced Yen-an's policy, he stated that while Wang Ming had been openly commended by Stalin some years ago, Wang Ming was now without power and the Chinese Communist Party was dominated by a group, led by Mao, with a non-Russian orientation.<sup>18</sup>

Respectfully yours,

JOHN DAVIES, JR.

893.00/3-145

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent)*<sup>19</sup>

[WASHINGTON,] March 1, 1945.

The prospects for early political and military unity in China are discouraging. Chiang has announced plans for holding a Constitu-

<sup>18</sup> In a memorandum of March 16 addressed to the Chief of the Division of Chinese Affairs (Vincent), the Second Secretary of Embassy in China (Ludden), writing in Washington, observed: "Mr. Davies points out that our knowledge of the internal operations of the Chinese Communist Party is meager, but the information contained in the despatch confirms the findings of other observers, notably members of the United States Army Observer Section at Yen-an, that the Chinese Communists are essentially Chinese nationalists and reformers without close Russian ties or affiliations."

<sup>19</sup> Addressed to the Under Secretary of State (Grew) and the Director of the Office of Far Eastern Affairs (Ballantine).

tional Convention in November to establish representative democratic government, but at the same time he has indicated clearly that during the interim period (which may prove to be of vital importance in military operations), there can be no question of "relinquishment by the Kuomintang of its power of ultimate decision and final responsibility". He offers participation to the Communists in the Kuomintang Government but expresses opposition to the formation of a coalition government as a means of unifying and making more effective China's war effort.

Quite apart from consideration of the relative justice of Chiang's position and that of the Chinese Communists, the probability that unity of command will not be achieved in the near future, considered in the light of prospective military action in China this year, compels us to seek an alternative solution to the problem of effective utilization of all forces in China capable of fighting the Japanese.

There is every likelihood that American forces which might land on coastal areas north of Shanghai will find Chinese Communist troops in the near hinterland. Recent reports indicate that Communist troops are also pushing into the coastal areas of Chekiang Province south of Shanghai. There seems to be general agreement among the American military and civilian officials who have visited Communist territory that Communist forces could be of assistance not only in coastal landings but in related operations against the Japanese in north China, particularly in the matter of disrupting communications, provided they are given supplies.

Thus, while continuing to exert our influence to bring about Chinese political and military unity, we should be prepared, in the event of American military operations which could be aided by the cooperation of Chinese Communist forces, to supply those forces with arms and ammunition.

There should be no question of choosing between Chiang and the Communists; of withdrawal of support from Chiang. But likewise there should be no question of an exercise of our prerogative, dictated by military necessity, to utilize all forces in China capable of cooperating with us in the fight against Japan. Chiang, having failed to effect military unity, should be told that he has forfeited any claim to exclusive support.

Chiang's initial reaction would probably be unfavorable—but without practical effect because it is extremely doubtful that he would be prepared actively to oppose aid to the Chinese Communists. There is also the probability that, faced with a positive statement of our stand and intentions, Chiang might actually be moved to effect, on a military level, the unity of forces for which we have been striving.

(Since preparing the foregoing, I have read Acheson's telegram

no. [324] of February 28 and feel that it should receive the most serious consideration.)

J[OHN] C[ARTER] V[INCENT]

893.00/3-145

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs* <sup>20</sup>

[WASHINGTON,] March 2, 1945.

#### AMERICAN POLICY WITH RESPECT TO CHINA

*Objective.* The American Government's long-range policy with respect to China has as one of its main objectives a strong, stable, united and peaceful China with a government that is democratic in character and representative of the wishes of the Chinese people.

The American Government's short-range policy with respect to China may be said to be directed to the mobilization of China's military and economic power to the fullest possible extent in the prosecution of the war. In pursuance of this policy the United States is endeavoring to strengthen China's fighting forces, develop Sino-American military cooperation and promote internal unity in China.

*Barrier to attainment of objectives.* The most formidable barrier to the achievement of American policy with respect to China lies in the continuation of political and military disunity in China. The early solution of this problem is a prerequisite to the achievement of both our short- and long-range policies in China. Internal unity is essential if China is to put its maximum effort into the war and if internecine strife and grave international complications are to be avoided.

*Reasons for failure to achieve internal unity.* The failure of the Kuomintang and the Chinese Communist Party to attain internal unity, even in the course of a war threatening the very existence of the country, stems basically from the struggle between the two groups for political and military control of China. The relations of the contending groups are marked by an absence of mutual trust, faith and confidence. The Communists fear that Kuomintang policy is directed toward their subordination, if not complete liquidation. The Kuomintang fears that Communist policy is directed toward Communist control of China. Both the Kuomintang and the Chinese Communist Party desire the defeat of Japan, but this abiding fear of one for the other transcends their common fear of Japan.

In its negotiations with the Communists the Kuomintang has as a general principle insisted on Communist recognition of the Kuomin-

<sup>20</sup> "With contributions by Messrs. Stanton and Vincent"; Edwin F. Stanton was Deputy Director of the Office of Far Eastern Affairs.

tang-controlled government as the sovereign power. In pursuance of this object the Kuomintang has consistently demanded subordination of Communist administrative and military organizations to the will of the National Government. Rejecting these demands as incompatible with their aspirations for survival, the Communists have countered with proposals for the abolition of the Kuomintang one-party government, the establishment in its stead of a "democratic coalition government", the creation of a "united high command", and the formation of an "inter-party conference". In an apparent endeavor to reach a settlement with the Communists, the Kuomintang has recently consented to convoke a conference of representatives of the Kuomintang, the Communist Party, and certain nonpartisan leaders to "consider interim measures for political and military unification" pending convocation of the National Congress. In so far as is known, the Communists have not yet made a reply to this latest proposal of the Kuomintang.

*Prerequisite to political and military unification.* A major prerequisite to the unification of China is the establishment of a government broadly representative of and responsible to the people of China, a government of liberal principles dedicated to the promotion of the welfare of the people of China and the protection of their liberties, rights and interests. Both the Kuomintang and the Chinese Communist Party have as their avowed aim the establishment of such a system of government in accordance with the principles laid down by Dr. Sun Yat-sen. But the delay of the Kuomintang in relinquishing one-party government, which that Party has ascribed to the exigencies of Japanese aggression, has given rise to the belief that the Kuomintang is intent on perpetuating itself in power. A commitment on the part of the Kuomintang to relinquish one-party government at an early date would, it is believed, contribute materially to the attainment of internal unity.

Recent reports from China are to the effect that the Sixth Kuomintang Congress is to meet at Chungking in May 1945 to consider proposals for the convocation of the people's assembly (possibly to be held in November 1945), the enactment of a permanent Chinese constitution, and the revision of the organic laws, platform and policy of the Kuomintang. The passage of such measures would presumably result in the relinquishment of one-party government and fulfill the wishes of the Chinese people for representative and responsive government through democratic processes, as well as meet the avowed demands of the Chinese Communist Party. It would at the same time afford the Kuomintang an opportunity to revise its organic laws and institute reforms to cope with the changed conditions it will face if constitutional government is established.

*Suggested measures for implementation of American policy.*

## 1. With respect to short-range policy.

*a.* With a view to attainment of the most effective prosecution of the war, we should continue to advocate the unification or at least the coordination of all military forces in China. To attain this objective, we should urge (1) the establishment of a military body in the nature of a supreme war council in which the Communists and perhaps other selected non-Kuomintang military groups would have fair representation and responsibility for the formulation and execution of a coordinated war program, and (2) the incorporation of Communist and other selected non-Kuomintang forces into the National Government army under the command of American officers designated by the Generalissimo on the recommendation of the American Commander in the China Theater.

*b.* The United States should also encourage the Kuomintang to carry out its contemplated plan to convoke a conference of the representatives of the Kuomintang, the Communist Party and other parties, as well as certain non-party leaders to consider interim measures for political and military unity pending convocation of the projected People's Assembly. Such a step would be a token of the Kuomintang's good faith and intentions and would ensure continuance of negotiations. It would avoid giving the appearance of an utter breakdown of negotiations and would divest the Communists of a pretext for delaying negotiations.

## 2. With respect to long-range policy.

*a.* To the extent that Chiang Kai-shek is sincerely willing (1) to accept American counsel, (2) to cooperate wholeheartedly with the United States in bringing about the defeat of Japan, and (3) to carry out measures designed to achieve internal reform and the promotion of national unity, it would appear to be in the interests of the United States to support him and his Kuomintang-sponsored government. But it is clear that it would be in the American interest to maintain a flexible policy in this respect vis-à-vis Chiang for two reasons: first, the United States may wish to be in a position to withdraw support from Chiang in the event that his government and administration deteriorate to a point reaching impotence; and, second, the United States appears to possess, in its discretion to grant or to withhold support and assistance, a weapon which may be used to induce Chiang to cooperate, reform the administration of his government, and put China's maximum effort into the prosecution of the war.

*b.* The United States should use the opportunity of the holding of the Sixth Plenary Session of the Kuomintang Congress to impress on Chiang and other Kuomintang leaders the need for (1) Party reforms, (2) the early establishment of broadly representative, constitutional government, and (3) Kuomintang advocacy of the enactment of a permanent constitution that is liberal and democratic in character and safeguards the rights of racial and political groups and individuals. It seems clear that the reform of the Kuomintang on the lines indicated is necessary if that Party is to be capable of facing the changed conditions confronting it and of meeting the

aspirations of the Chinese people for representative and responsive government.

The substance of the foregoing should be communicated at the highest level to the Generalissimo at an early date and he should be frankly informed that because of the vital importance of the vigorous prosecution of the war we may find it necessary to give military assistance not only to his forces but to other groups who in the opinion of our military authorities can be effectively used in specific military operations against the Japanese.

*c. With respect to the Communists and other groups.* The United States should use every means at its disposal to impress upon the Communists and other non-Kuomintang political groups the urgent need for political and military unification in order to further the Chinese war effort. It should be pointed out to those groups that the United States has been urging upon the Kuomintang the adoption of policies calculated to further internal unity in China and that we look equally to non-Kuomintang groups to take measures looking to the same end.

With particular regard to the Chinese Communists, it is believed that the United States would be justified in urging upon them the adoption of a more conciliatory attitude than they appear recently to have displayed toward the matter of reaching an agreement with the Kuomintang. It would seem desirable for the United States to urge the Communists to continue negotiations with the Kuomintang and to send delegates to participate in the multi-party conference which the Kuomintang proposes to hold in Chungking to consider interim measures for political and military unity. It might also be desirable to urge the Communists to refrain from intemperate criticism of the Kuomintang in the interests of internal unity, as well as from military activities, particularly in the regions south of the Yangtze River, which are likely to result in clashes with Kuomintang forces.

We should constantly bear in mind the possibility that Allied forces may land on the China coast, and that we may find it essential in the conduct of our military operations in such areas to cooperate with and grant assistance to such Chinese military forces, including Communist and other non-Kuomintang forces, as may be present there.

*d. With respect to the other powers.* It would seem advisable that the United States should cease to be the main link between China and the United Nations. Great Britain and Russia are vitally concerned with developments in China. We should make clear to Great Britain and the Soviet Union the nature of our policy and objectives in China and we should solicit the cooperation of those powers in carrying out those objectives in as much as the emergence of a peaceful, united prosperous China is as vital to those Powers as it is to the United States. We should endeavor to promote harmony and friendship between China and Great Britain, the Soviet Union, and all the other United Nations. We should particularly strive to make perfectly

clear to the Soviet Government our policy vis-à-vis China. It may be anticipated that Russia, by virtue of her vital interests in central and northeastern Asia, will evince a growing interest in Chinese developments following the conclusion of the war in Europe. The possibility exists that the Soviet Union will participate in the Far Eastern conflict and perhaps invade Manchuria and Inner Mongolia.

In the event that Russia enters the Far Eastern conflict and commits Soviet troops to battle, it seems inevitable that they will link up with Chinese Communist troops which are now strongly entrenched in North China. For this reason it is obvious that an agreement is needed between the Kuomintang and the Chinese Communist Party for internal unity and a unified military command. An American-Russian understanding vis-à-vis China would, it is believed, contribute materially to a solution of the Kuomintang-Communist impasse and to the future peace of East Asia and the world.

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893.00/3-145

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Under Secretary of State (Grew)*

[WASHINGTON,] March 2, 1945.

There is attached for your consideration a tentative list of topics for discussion with Ambassador Hurley.<sup>21</sup> Some of these topics you may wish to discuss with Mr. Hurley, especially the subject of our policy toward China, and there are attached also for your reference two memoranda, a short one by Mr. Vincent<sup>22</sup> dealing with the question of military support to Chinese groups in areas of American military operations and a longer one by Mr. Drumright<sup>23</sup> (with contributions by Messrs. Stanton and Vincent) dealing with a wider range of problems. You will of course also wish to consider in this connection the contents of Mr. Atcheson's telegram no. 324, February 28, 1 p. m.

I assume that you will wish to delegate to us in FE the discussion of most of the topics in the attached list.

J[OSEPH] W. B[ALLANTINE]

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<sup>21</sup> Not printed.

<sup>22</sup> March 1, p. 247.

<sup>23</sup> March 2, p. 249.

893.00/2-2845

*Memorandum by the Acting Secretary of State to President Roosevelt*<sup>24</sup>

[WASHINGTON,] March 2, 1945.

I am enclosing for your information a copy of a telegram from Chungking regarding the situation in China.<sup>25</sup> In this telegram Mr. Acheson has presented very clearly the dangers inherent in the failure of the Kuomintang and the Chinese Communists to reach agreement. It is obvious that continued failure to effect political unity must adversely affect the vigorous prosecution of the war against Japan and raises well-founded fears that civil strife and possible international complications may eventually result if the basic differences between these two groups are not reconciled.

Despite a number of encouraging developments during the last few months, we have been increasingly concerned over recent indications that the Generalissimo has adopted an intransigent attitude toward this vitally important problem. These developments emphasize the need of flexibility in applying our policies toward China. The forthcoming arrival of Ambassador Hurley and General Wedemeyer in Washington will afford an opportunity to go over the whole situation with them and in particular the Embassy's recommendation that we consider giving war supplies to the Chinese Communists as well as to Generalissimo Chiang.

JOSEPH C. GREW

893.00/3-245: Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 2, 1945.

[Received March 2—5:20 p. m.]

343. Following is Central News Agency English service version of Generalissimo's address of March 1 delivered before Preparatory Commission for Inauguration of Constitutional Government:

"You will recall that in 1936 the Government decided to summon a National Assembly on November 12, 1937, for the inauguration of constitutional government and the termination of the period of political tutelage under the Kuomintang. On July 7, 1937, Japan suddenly made war on us, and the plan had to be shelved. However, the determination of the Kuomintang to realize constitutional government

<sup>24</sup> Drafted by the Chief of the Division of Chinese Affairs (Vincent). Marginal notation: "Approved by Mr. Stanton".

<sup>25</sup> Telegram No. 324, February 28, 1 p. m., p. 242.



remained as strong as ever. Had it not been for the recommendation of further postponement by the People's Political Council, the National Assembly would have been convened during 1940 in accordance with another Government decision. This year, on the 1st of January, on behalf of the Government, I announced that the National Assembly will be summoned before the close of the year, unless untoward and unexpected military developments in the meanwhile should interfere.<sup>26</sup>

The Kuomintang is the historical party of national revolution; it overthrew the Manchu Dynasty; it destroyed Yuan Shih-kai who would be emperor; it utterly defeated the militarists that succeeded Yuan Shih-kai; it brought about national unification; it achieved the removal of the unequal treaties; and it led the country in the 8-year-old struggle against Japan. It is we who are the party of liberation and progress. In summoning the National Assembly and returning the rule to the people in conformity with the sacred will of Dr. Sun Yat-sen, the Kuomintang is performing its historical role.

We must emerge from this war a united nation. Only a united nation can effectively perform the task of political and economic reconstruction to last [*lighten?*] the lot of our toiling masses, and handle the problems of external relations in a new uncharted world. Before the Japanese invasion, [we] were a united nation. Today, but for the Communists and their armed forces, we are a united nation. There are no individual warlords or local governments challenging the central authority.

I have long held the conviction that the solution of the Communist question must be through political means. The Government has labored to make the settlement a political one. As the public is not well informed on our recent efforts to reach a settlement with the Communists, time has come for me to clarify the atmosphere.

As you know, negotiations with the Communists have been our unvarying experience that no sooner is a demand met than fresh ones are raised. The latest demand of the Communists is that the Government should forthwith liquidate the Kuomintang rule, and surrender all power to a coalition of various parties. The position of the Government is that it is ready to admit other parties, including the Communists, as well as non-partisan leaders, to participate in the Government, without however relinquishment by the Kuomintang of its power of ultimate decision and final responsibility until the convocation of the National Assembly. We have even offered to include the Communists and other parties in an organ to be established along the lines of what is known abroad as a "War Cabinet". To go beyond this and to yield to the Communists' demand would not only place

<sup>26</sup> For President Chiang's New Year's statement, see memorandum of January 2 by the Chief of the Division of Chinese Affairs (Vincent), p. 153.

the Government in open contravention of the political program of Dr. Sun Yat-sen, but also create insurmountable practical difficulties for the country.

During the past 8 years, the country has withstood all the worst vicissitude[s] of military reverses and of unbelievable privations and has ridden through the storm for the simple reason that it has been led by a stable and strong government. The war remains to be won; the future is still fraught with perils. If the Government shirks its responsibility and surrenders its power of ultimate decision to a combination of political parties, the result would be unending friction and chaos, leading to a collapse of the central authority. Bear in mind that in such a contingency unlike in other countries, there exists in our country at present no responsible body representing the people for a government to appeal to.

I repeat, whether by accident or design, the Kuomintang has had the responsibility of leading the country during the turbulent last decade and more. It will return the supreme power to the people through the instrumentality of the National Assembly, and in the meantime it will be ready to admit other parties to a share in the government, but it definitely cannot abdicate to a loose combination of parties. Such a surrender would not mean returning power to the people.

We must emerge from the war with a united army. The Communists should not keep a separate army. Here allow me to digress a little. The Chinese Communist propaganda abroad had tried to justify this private army on the ground that if it becomes incorporated in the National Army, it will be in danger of being destroyed or discriminated against. Their propaganda also magnifies out of all proportion the actual military strength of the Communists. To you I need hardly say that Government forces have always without exception borne the brunt of Japanese attack and will continue to do so. Today with the whole-hearted cooperation of our Allies, powerful armies are being equipped and conditioned to assume the offensive. We are synchronizing our efforts with those of our Allies in expelling Japan from the Asiatic mainland.

The Government has not hesitated to meet the issues raised by the Communists squarely. During his recent visit the Communists' representative Mr. Chou En-lai was told that the Government would be prepared to set up in the Executive Yuan a policy-making body to be known as the Wartime Political Council, to which other parties, including the Communists, would have representation. In addition, he was told that the Government would be ready to appoint a commission of 3 officers to make plans for the incorporation of the Communist forces in the national army, composed of 1 Government officer,

1 Communist and 1 American, provided that the United States Government would agree to allow an American officer to serve. If the United States Government could not agree, some other means of guaranteeing the safety of the Communist forces, and non-discrimination in their treatment, could doubtless be evolved.

The Government has gone further. To meet any fear the Communists may have, the Government has expressed its willingness for the duration of the war to place an American General in command of the Communist forces, under my overall command as supreme commander, again if the United States Government could agree to the appointment of an American officer. The Communists have however rejected all these offers. If the Communists are sincere in their desire to fight the Japanese alongside us and our Allies, they have indeed been given every opportunity to do so.

Since the commencement of the latest phase of the negotiations with the Communists in November last year, the Government, mindful of the necessity of avoiding mutual recriminations if parties to a dispute are sincere in their desire for a settlement, have made all efforts to prevent newspaper attacks against the Communists. For this reason only the Communist version of the difficulties is being heard. The Communists have made use of the negotiations to launch a whirlwind campaign of publicity, both at home and abroad, defamatory of the Government and the Kuomintang. At the very moment that the delegates were sitting down to the conference, ridiculous charges were made that the Government was conducting negotiations with the Japanese. I consider it beneath my dignity as head of the state to answer those charges.

No one, mindful of the future of our 450 million people and conscious of standing at the bar of history, would wish to plunge the country into a civil war. The Government has shown its readiness and is always ready to confer with the Communists to bring about a real and lasting settlement with them.

I have explained the Government's position on the Communist problem at length, because today that is main problem to unity and constitutional government.

I now turn to the concrete measures which the Government proposes to take to realize constitutional government which I wish to announce briefly:

1. The National Assembly to inaugurate constitutional government will be convened on the 12th of November this year, the 80th birthday of Dr. Sun Yat-sen, subject to the approval by the Kuomintang Congress which is due to meet in May.

2. Upon the inauguration of constitutional government, all political parties will have legal status and enjoy equality. The Government has offered to give legal recognition to the Communist Party as soon

as the latter agrees to incorporate their army and local administration in the national army and Government. The offer still stands.

3. The next session of the People's Political Council with a larger membership as well as more extensive powers will soon be sitting. The Government will consider with the Council the measures in regard to the convening of the National Assembly, and all related matters.

I am optimistic of national unification and the future of democratic government in our country. The torrent of public opinion demanding national unity and reconstruction is mounting ever stronger and will soon become an irresistible force. No individual or political party can afford to disregard this force any longer. Let all of us, regardless of party affiliations, work together for the twin objectives of our people—national unity and reconstruction.”

ATCHESON

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893.00/3-245 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, March 2, 1945—7 p. m.  
[Received March 3—12:50 a. m.]

2160. In commenting to an officer of the Embassy this afternoon on General Chiang Kai-shek's March 1 appeal for unity and announcement of the calling of a National Assembly on November 12 to inaugurate a constitutional government,<sup>26a</sup> Sterndale Bennett<sup>27</sup> said that the problem had now been given a definite official airing but that Chiang's statement did not seem to take us much further forward.

According to Bennett, the Foreign Office believes the crux of the Kuomintang-Communist problem is the demand of the Chungking Government that the Communist armies be incorporated in the national army and the reluctance of the Communists to accede to this demand. Bennett went on to say that it is difficult to decide how far western governments would be justified in putting pressure on Chiang to come to a settlement with the Communists. He asked if we could confirm his impression that recently the American Government had been refraining from active participation in the effort to reach a solution of this problem, particularly since Ambassador Hurley's visit to Yen-an. He was told that the Embassy had no information on this point.

In discussing the problems involved in making decisions regarding China, Bennett referred to the difficulty of obtaining a true picture

<sup>26a</sup> See telegram No. 343, *supra*.

<sup>27</sup> John Cecil Sterndale Bennett, head of the Far Eastern Department in the British Foreign Office.

of what is going on in China merely from written reports. Because of this he expressed the strong hope that General Hurley would be able to accept the Foreign Secretary's<sup>28</sup> invitation to visit London, which he said had been extended through the British Embassy in Washington. Bennett feels that a visit from General Hurley will be of real value and will greatly contribute towards bringing our policies in line with each other.

WINANT

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893.00/3-345 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 3, 1945—10 a. m.

[Received March 4—1:35 p. m.]

354. Although Generalissimo's address of March 1 has doubtless been reported to Washington through press channels, Embassy is sending full text under separate telegram. (Our 343, March 1 [2.]) It will be noted that National Assembly to inaugurate constitutional government is to be convened on November 12. Much of address is devoted primarily to indictment of Communists for their attitude during recent negotiations.

Address is generally regarded here as attempt to influence foreign and especially American opinion against Communists. It does, however, indicate clearly how wide is the fundamental breach between Chungking and Yen-an. It states that various parties and factions other than Kuomintang will not have legal status until after institution of constitutional government and that until or unless Communist Party hands over to Kuomintang military and political control it cannot hope to achieve legal status; it resents Communist demand for immediate abolishment of one-party government and termination of period of political tutelage; it states that although member [number?] of other parties may join government, until convocation of National Assembly it will be impossible for Kuomintang to surrender political responsibility to other parties.

It is reliably reported that on morning of March 1 Communist headquarters here received telegram from Yen-an (assumably despatched prior to delivery of Generalissimo's address) announcing that a Communist representative would return to Chungking to resume negotiations. Whether publicity given to Kuomintang's version of negotiations will affect projected visit is unknown; it will probably in any case lead to counter-publicity and propaganda by Communists.

ATCHESON

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<sup>28</sup> Anthony Eden.

893.00/3-245 : Telegram

*The Acting Secretary of State to the Chargé in China (Acheson)*

WASHINGTON, March 6, 1945.

381. Embassy's 343 March 2. The following is Acting Secretary Grew's statement of March 3 in regard to President Chiang's announcement of the summoning of a National Assembly in November.

"President Chiang Kai-shek's statement of March 1, announcing that a National Assembly to inaugurate a constitutional government may be convened on November 12 of this year, comes at a time when we are all vitally interested in the achievement of political and military unity in China. The statement throws light upon the National Government's negotiations with the Chinese Communists and indicates that the trend in China is toward political unity and democratic government.

The current year will no doubt witness military developments in China of decisive importance. In my statement of January 23<sup>29</sup> I said that 'we earnestly desire the development of a strong and united China.' President Chiang's statement offers hope of future unity as a consequence of the promised National Assembly meeting in November, and we may hope that, during the interim period, agreement among the Chinese may be reached for a unified military effort to meet the crucial situation in the months to come."

[Here follows summary of a radio broadcast on March 1 by commentator Raymond Gram Swing.]

GREW

893.00/3-645

*Memorandum by the Director of the Office of Far Eastern Affairs (Ballantine)*

[WASHINGTON,] March 6, 1945.

General Hurley telephoned me to say that, as he had a few things to do, he would not come to see us today and expressed a desire to have a further talk tomorrow. He referred to his conversation with us yesterday<sup>30</sup> in which he had taken strong exception to the contents of a telegram from George Acheson of February 28<sup>31</sup> which we had shown him. He asked me whether we had understood his point of view in regard to the telegram. I said that we had, but that we would like to have a further talk in regard to the matter as we felt that he had read into it implications which did not accord with our interpretation of the telegram. I said I did not see how Acheson's recom-

<sup>29</sup> See telegram No. 124, January 23, to the Ambassador in China, p. 181.

<sup>30</sup> No record found in Department files.

<sup>31</sup> No. 324, February 28, 1 p. m., p. 242.

mendations, if adopted, involved recognition of the Communists as armed belligerents or were inconsistent with our recognition of the National Government as the government of China. He then went over the ground again with me. He said that he regarded the sending of the telegram as an act of disloyalty to him on the part of his staff, that it reopened a question which he had thought had already been decided, that it revived the question of the recognition of the Communists as armed belligerents, and that it was over that issue that General Stilwell had been recalled. He said that in China he had talked with the Communists and that he had broken the deadlock between the Communists and the Kuomintang. He said that neither Gauss<sup>32</sup> nor Acheson had ever seen the Communists and that they had never brought the Communists and the Kuomintang together. He felt that the sending of the telegram made it necessary for him to fight all over again with the State Department, the War Department, and the White House the issues raised in that telegram. He said he did not mind that, but he thought it was too bad when there were so many other things to do, including the discussion of what our future policy was to be, to be obliged to fight all over again an issue that had been decided.

I tried my best but without success to cause him to take a different attitude by expressing my view that Acheson had done his duty in giving his estimate of most recent developments and of the thought of the Embassy in that connection. Ambassador Hurley said that the Army opposition to his policy had been eliminated by getting the die-hards transferred, but it seemed to him that he still had to contend with the State Department career officers who were upholding each other and who resented Ambassador Hurley's policies. He said that the net effect of the telegram was to undermine his efforts, as the Communists would not be conciliatory if they thought that they were going to get supplies from us. I asked General Hurley if he had read Chiang Kai-shek's manifesto of March 1,<sup>33</sup> in which he had publicly taken a position which might make agreement more difficult with the Communists. He said that he had, that he had understood Chiang Kai-shek's position perfectly and that he thought it very natural that Chiang Kai-shek should take a stronger line as his position became more solid.

Ambassador Hurley said that he would go over the ground with us tomorrow,<sup>34</sup> and I said that we would be glad to do so but that any decisions that were taken would have to be taken at a very high

<sup>32</sup> Clarence E. Gauss, former Ambassador to China.

<sup>33</sup> See telegram No. 343, March 2, from the Chargé in China, p. 254.

<sup>34</sup> No record of conversation of March 7 found in Department files.

level and that he should by all means see Mr. Dunn<sup>35</sup> and Mr. Grew. He said he would do so.

J[OSEPH] W. B[ALLANTINE]

893.00/3-745

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine)*<sup>36</sup>

[WASHINGTON,] March 7, 1945.

There is attached a memorandum of conversation with Ambassador Hurley dated March 5, 1945,<sup>37</sup> in regard to Chungking's telegram no. 324 of February 28. A copy of the telegram is also attached.

So far as we can determine, there is no difference of view between Ambassador Hurley and us (or Mr. Atcheson) as to the objective of our policy in China.

Our short-term objective is to bring about a mobilization of all of China's human and material resources for prosecution of the war against Japan. Our long-term objective is the development of a China which will be capable of contributing to security and prosperity in the Far East.

We have believed that political and military unity in China was the most effective means of achieving these objectives. A united, progressively democratic, and cooperative China we view as indispensable to the achievement of the long-term objective. Unity in China of political and military forces would, without doubt, be the most effective means of achieving the short-term objective; but if this means should fail, a contingency for which we should be prepared, the importance of utilizing all available resources to defeat Japan makes it imperative that we seek other means for achieving our objective. One alternative means might be military unity under an over-all American command. A less preferable, but possible, means would be giving aid to all military forces in China, irrespective of their political affiliations, capable and willing to cooperate with us in the fight against Japan. This would mean giving aid to elements of the Chinese Communist armies.

The following paragraph is quoted from our memorandum of January 29 addressed to the Acting Secretary:<sup>38</sup>

"We would like to see the rearmament, to such extent as may be practicable, of *all* Chinese forces willing to fight the Japanese, but

<sup>35</sup> James Clement Dunn, Assistant Secretary of State.

<sup>36</sup> This memorandum was drafted in the Office of Far Eastern Affairs and sent to Assistant Secretary of State Dunn. It was initiated by the Deputy Director of the Office (Stanton) and by the Chief of the Division of Chinese Affairs (Vincent) in addition to Mr. Ballantine.

<sup>37</sup> No record found in Department files, but see memorandum of March 6 by the Director of the Office of Far Eastern Affairs, *supra*.

<sup>38</sup> *Ante*, p. 37.



the present unsatisfactory relations between the Chinese Government and the Chinese Communists makes it impolitic to undertake measures for the rearmament of the Chinese Communists even though it is generally conceded that they could effectively use quantities of small arms ammunition and demolition materials. However, if operations are undertaken along the China coast it is suggested that our military authorities should be prepared to arm any Chinese forces which they believe can be effectively employed against the Japanese, and that they should at an opportune time so advise the Chinese military authorities.”

Mr. Acheson has, in his telegram no. 324 of February 28, made the following recommendation :

“Predicated on the assumption that the military necessity exists, the first step we propose for consideration is that the President inform the Generalissimo in definite terms that military necessity requires that we supply and cooperate with the Communists and other suitable groups who can assist the war against Japan . . .<sup>39</sup> and that we are taking direct steps to accomplish this end. We can assure the Generalissimo that we are not contemplating reducing our aid to the Central Government . . . We may include in the statement that we will keep the Central Government informed of the extent and types of such aid.”

Mr. Acheson prefaces the foregoing recommendation with a statement of the view that the achievement of military and political unity in China in the near future is most unlikely.

As we understand it, General Hurley is seriously concerned that the supplying of any military equipment to the Communists would (1) constitute recognition of their “belligerent” status vis-à-vis the National Government and (2) result in the speedy overthrow of the National Government. With regard to the first point in our opinion no question arises of recognition of a separate “belligerent status”. It is our considered opinion that the assistance given to the Communists and other suitable groups should be limited strictly to the furnishing of such military equipment as our military authorities believe could be effectively used against the Japanese and that there is involved no question of the conclusion of any formal agreement or the taking of any steps which would constitute in any sense recognition of belligerency on the part of the Communists or other groups. Furthermore, attention is called to the fact that we would continue to recognize the National Government, to supply arms and military equipment in increasing quantities to that Government and to give it support in other ways. As to the second point, we are of the opinion that in view of the extensive arming and training of National Government troops which is now being undertaken by our military and the relatively small amount of light equipment which it is understood our

<sup>39</sup> Omissions indicated in the original memorandum.

military would supply to the Communists for purposes of engaging in guerrilla warfare against the Japanese, there is no danger of the military strength of the Communists being sufficiently augmented to effect the overthrow of the National Government by force of arms. Nor do we believe that aid to the Communist forces would encourage and fortify political opposition to the National Government to an extent which would create a serious risk of its downfall.

In our estimation, a statement to the Generalissimo that, with a view to expediting operations against the Japanese in the Far East, our military authorities may give limited quantities of military equipment to the Communists or any other Chinese group which in their opinion would effectively use such equipment in carrying on guerrilla warfare against the Japanese, would:

- (1) Aid in the prosecution of the war against Japan.
- (2) Stimulate the Generalissimo
  - (a) To reach an agreement with the Communists
  - (b) To carry out reforms in the government and his military forces
  - (c) To accelerate plans to institute a constitutional government.

Mr. Acheson's plan was proposed as a method for dealing with a deadlock. If there should be no deadlock and if an agreement is reached between Chiang and the Communists, which Ambassador Hurley feels confident will be achieved by the end of April, then the question of adopting any alternative plans, including that of Mr. Acheson, does not arise.

J[OSEPH] W. B[ALLANTINE]

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FE Files, Lot 52-354

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*

[WASHINGTON,] March 8, 1945.

The attached OSS memorandum <sup>40</sup> constitutes a comprehensive study of the history and achievements of the New Fourth Army. It derives added value from the fact that, in contrast to the purely hearsay character of previous studies on the subject, it embodies observations of an American Air Force officer who has actually visited the New Fourth Army area.

The following items seem of especial interest:

The Army has increased from 12,000 troops in 1937 to a force of 154,000 regulars and 550,000 militia in 1944, with a claimed admin-

<sup>40</sup> Not printed.

istrative control of 30,000,000 people in areas of Kiangsu, Anhwei, Hupei and Honan.

The Army directs its principal attention to the puppet forces, largely because of their usefulness as an easy source for the obtainment of arms. It has been very successful in bringing over large numbers of puppets through capture or through propaganda.

Public officers in the Civil Administrations are elected for one year and there is great popular interest in the elections. The population appears not merely to acquiesce in the Communist administration but to support and participate in it with enthusiasm.

Except for salt the areas are self-supporting.

An annual report of government receipts and expenditures is sent to the Chungking Government, although the latter does not recognize the regime.

The observer stated that he found nowhere any antagonism to Generalissimo Chiang Kai-shek, who continues to be commander in chief of all Chinese armies; Chiang's picture is to be seen in every Communist headquarters, just as in Nationalist China.

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893.001 Chiang Kai-shek/3-845

*Memorandum by Mr. Julian R. Friedman of the Division of  
Chinese Affairs*

[WASHINGTON,] March 8, 1945.

The following excerpts have been selected from a transcript of a Yen-an broadcast on the Generalissimo's speech of March 1, 1945 on Constitutional Government.

"This speech reflects in detail the standpoint and plan of the most reactionary clique in Kuomintang. . . .<sup>41</sup> Chiang, in making this speech, merely once again plays the part of spokesman for this extremely reactionary clique. Looking through the whole speech important points can be summed up as follows: (1) Persistent in one party rule and resolute rejection of a democratic coalition government. (2) False interpretation of negotiations between the Kuomintang and Chinese Communist party and slander against the latter. (3) Playing up the futile trick of so-called 'returning the reins of government to the people' and the 'Convention of the National Congress' in order to preserve a fascist dictatorship. . . .

"According to Dr. Sun's will, would not calling a conference of all parties and groups and the formation of a coalition government to secure the overthrow of the Japanese invaders, and then the holding of elections without fear and restrictions throughout the country under a government to convene a national Congress, be just what would meet the exigencies of today?

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<sup>41</sup> Omissions indicated in the original memorandum.

"The Chinese nation does not wish the personal dictatorship of Chiang Kai-shek to continue its existence for even one second. . . . If a coalition government is formed, Chiang Kai-shek may still be allowed to occupy a seat in the government to allow him to correct his former mistake and atone for his crimes. . . . But the personal dictatorship . . . must immediately end . . . the true reason reflects that Chiang and most of the reactionary groups within the Kuomintang want to hold on to the interests of a single person or group without caring for the interests of the country and nation.

"But most deserving of notice is that within the short period of a few months since the proposal of abolition of the Kuomintang dictatorship to establish a democratic coalition government, it has by now electrified the whole country and countries abroad, and has become the proposal of the broad masses.

". . . wartime administrative council discussed in Kuomintang-Communists negotiations is only a sideshow which has no political responsibilities and power for a final decision . . . . Chiang wants all parties and groups to join this wartime administrative council while they are still illegal, saying at the same time that 'There really is no reason why they should not accept.' Only someone as shameless as Chiang could make such a statement . . . .

"Chiang said the government is prepared to form a three-man committee for regrouping the Communist troops into the national Army. Of these three men, one would represent the government, one would represent the Communist Party, and one would be an American Army officer. . . . Being incapable to command, Chiang Kai-shek ought to be sacked and punished and replaced by a Chinese officer who has gained merits in armed resistance appointed by a commission organized by the people. . . . We are unwilling to ask foreigners to oppress those different from us.

". . . Dictator Chiang Kai-shek and the most reactionary despots inside the Kuomintang . . . want to find a cloak to hide their counter-revolutionary fascists bodies. This then is the real essence of the so-called 'returning the reins of the government to the people', and the 'convention of a national Congress.'

"At present the Kuomintang-Communist negotiations have long ago ceased to discuss pending problems between the two parties, but try to solve the urgent political problem on which the life or death of the country and nation depends."

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893.00/3-1045

*President Roosevelt to Mr. Mao Tse-tung*<sup>42</sup>

WASHINGTON, March 10, 1945.

MY DEAR MR. MAO: I received your letter of November 10, 1944<sup>43</sup> upon my return from the Yalta Conference and appreciate very much receiving your personal views on developments in China.

<sup>42</sup> Draft prepared in the Office of Far Eastern Affairs, in compliance with an instruction of February 26 from President Roosevelt (893.00/2-2645), and forwarded with a memorandum of March 6 by the Acting Secretary of State to President Roosevelt for approval: original transmitted in Department's instruction No. 87, March 20, to the Chargé in China.

<sup>43</sup> *Foreign Relations*, 1944, vol. vi, p. 688.

I have noted with special interest the emphasis which you place on the unity of all Chinese people and military forces for the defeat of Japan and the reconstruction of China.

It is my sincere hope that you and President Chiang Kai-shek will work together harmoniously to achieve internal unity. Through unity the Chinese people can add to their already magnificent contribution to the prosecution of the war against Japan.

I welcome your expression of appreciation of General Hurley. He has kept me informed of developments in China and I expect in the near future to have the opportunity of personal discussion with him.

The friendship of the Chinese people and the people of the United States is, as you say, traditional and deep-rooted, and I am confident that the cooperation of the Chinese and American peoples will greatly contribute to the achievement of victory and lasting peace.

Sincerely yours,

FRANKLIN D. ROOSEVELT

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740.0011 PW/3-1145

*The Second Secretary of Embassy in China (Rice) to the Chargé in China (Atcheson)* <sup>44</sup>

No. 145

SIAN, March 11, 1945.

Subject: Reported Sending by Teh Wang of Emissaries to Outer Mongolia.

SIR: Reference is made to my despatch to the Embassy no. 100, December 23, 1944 <sup>45</sup> entitled, "Statements of General Liu Chien-hua in regard to the Attitude of Authorities in Inner Mongolia," and particularly to the portion of that despatch in which that officer was quoted as stating that Teh Wang, Chairman of the Mongol Federated Autonomous Government, wishes to avoid again being subjected to the control of the Chinese Government and that the people of Inner Mongolia would prefer rather to unite with Outer Mongolia.

I am now told by a usually reliable Chinese informant that the First War Zone Headquarters here recently received an intelligence report to the effect that Teh Wang not long ago sent three emissaries—one a Chinese and the other two members of his own Mongol Banner—to Outer Mongolia.

My informant states that he assumes that the action taken by Teh Wang is indication that he has concluded that the Japanese will be defeated, that he does not want to fall under the control of the Chungking authorities and that he is investigating the possibility of making

<sup>44</sup> Copy transmitted to the Department by the Embassy in China on April 21 without covering despatch; received May 2.

<sup>45</sup> Not printed.

satisfactory arrangements for the unification of Inner and Outer Mongolia.

Respectfully yours,

EDWARD E. RICE

893.00/3-1245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 12, 1945—8 a. m.

[Received 10:33 a. m.]

409. Following message has been received via United States Army radio from General Chou En-lai with the request that it be transmitted to Ambassador Hurley as soon as possible :

“Dear General Hurley: Your kind message of 20 February<sup>46</sup> has been received.

“Under instructions from the Central Committee of my party and from Chairman Mao Tse-tung, I have sent a letter on 9th March to Dr. Wang Shih-chieh, representative of the National Government, containing the following two points of which I specially would like to inform you about :

Number 1. “The Central Committee of my party was originally planning to draft our proposals in answer to Dr. Wang Shih-chieh’s proposal of calling a political consultation conference, in order to facilitate the discussions. So it was all the more unexpected that President Chiang Kai-shek, on March 1, should have made a public statement opposing the abolition of one-party rule, the convening of an inter-party conference and also the establishment of a coalition government, announcing instead that the one-party Kuomintang Government is preparing to call on November 12 of this year that one-party controlled, deceitful, China splitting, so-called National Congress, based on conditions to which the people have no freedom, in which political parties and groups have no legal status, and in which large areas of the country have been lost, making it impossible for the majority of the people to take party [*part*]. This clearly demonstrates that the Kuomintang Government is obstinately insisting on having their own way alone, thus on the one hand showing that they have not the least sincerity in wanting to carry out democratic reforms, and on the other it leaves no basis on which negotiations between the Communist Party and the other democratic parties and the Kuomintang Government can be continued in these circumstances. The Central Committee of my party considers that there is no longer the need to draft proposals in answer to Wang Shih-chieh.

Number 2. “The Central Committee of my party and Chairman Mao Tse-tung are decidedly of the opinion that if China’s delegates are to represent the common will of the whole Chinese people at the San Francisco Conference in April, then they must consist of representatives of the Chinese Kuomintang, the Chinese Communist Party and the Chinese Democratic Federation; and definitely there should not be

<sup>46</sup> See telegram No. 249, February 19, 11 p. m., from the Ambassador in China, p. 234.

only Kuomintang Government delegates attending the meeting. America and England both have announced that their delegations will consist of representatives from all important political parties while your Honorable President has made known that the American delegation will consist of an equal number from both the Democratic and Republican Parties; but since the Chinese situation is so lacking in unity, then, if the Kuomintang should try to monopolize the entire delegation, this would be not only unjust and unreasonable but it would show that their standpoint is for wanting to split China. My party has already officially put forth the above demands to the Kuomintang Government and suggested that Chou En-lai, Tung Pi-wu and Chin Pang-hsien, three members of our Central Committee, to join the Chinese delegation. If this is not accepted by the Kuomintang Government, then my party will determinedly oppose the Kuomintang's splitting measures and reserve the right of expression on all opinions and actions of the monopolized delegation of the Kuomintang Government at the Conference of the United Nations at San Francisco.

"Please inform your Honorable President of the above two proposals as soon as possible and also express my deep appreciation for his interest on behalf of Chinese unity. I extend to you my deepest personal regards. 9th March, 1945, Yen-an. Signed, Chou En-lai."

ATCHESON

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893.00/3-1245 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, March 12, 1945—1 p. m.  
[Received March 12—9: 50 a. m.]

2540. Sterndale Bennett stated this morning to an officer of the Embassy that the Foreign Office had received word that Ambassador Hurley would be coming to London (ReEmb's 2160, March 2) and that it is understood he hoped to leave Washington on March 16. Sterndale Bennett said he would appreciate learning as soon as possible the exact date of Ambassador Hurley's arrival so that the necessary preparations can be made.

WINANT

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893.76/3-1245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 12, 1945—1 p. m.  
[Received March 13—1 p. m.]

413. In view of increasing interest of daily English broadcasts emanating from Communist station XNCR in Yen-an, Embassy would

appreciate being informed whether full texts of these broadcasts are currently being made available to Department by the FCC.<sup>47</sup>

ATCHESON

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893.00/3-1245 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, March 12, 1945—3 p. m.

566. March 10 issue of the *New York Times* contains article by C. L. Sulzberger under Moscow date line of March 9 stating Chinese Communists are reported by foreign sources to have asked U. S. Government to turn over large quantities of captured Japanese arms and munitions to Chinese Communists and, although the United States urged Chiang Kai-shek to permit such shipments, the latter has refused permission for fear of strengthening Chinese Communists.

Please endeavor to ascertain and report by telegraph source and basis of Sulzberger's despatch.

STETTINIUS

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893.00/3-1245

*Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Vincent)* <sup>48</sup>

[WASHINGTON,] March 12, 1945.

I called on Lieutenant General Wedemeyer this afternoon to discuss certain matters in connection with Embassy personnel on detail to his Headquarters. In connection with the discussion, the question of Communist-Kuomintang relations came up.

General Wedemeyer explained that he was staying out of Chinese politics and that he had directed the officers under him to do likewise. He said, however, that even though he kept to his military job he couldn't help thinking about some of the political problems.

I told him that it was the military angle of the Kuomintang-Communist relations that was at present of paramount importance. For instance, the question of whether or not Communist troops could be

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<sup>47</sup> In telegram No. 493, March 26, 4 p. m., the Acting Secretary of State informed the Chargé that the Yen-an broadcasts "are monitored by FCC at various listening posts and digests are furnished to Department daily. Coverage is believed adequate."

<sup>48</sup> Addressed to the Under Secretary of State (Grew), the Assistant Secretary of State (Dunn), and the Director of the Office of Far Eastern Affairs (Baltantine).



effectively used against the Japanese if they received material aid from us was one which only our military was competent to decide.

General Wedemeyer mentioned Atcheson's recent telegram from Chungking,<sup>49</sup> and expressed surprise that Atcheson had advocated a policy contrary to that of Ambassador Hurley. He said, however, that he was not attempting to judge the merits or demerits of Atcheson's position. I recalled to General Wedemeyer that Atcheson's recommendation of material aid to Communist forces was clearly premised on an assumption that they could be effectively used against the Japanese. If Atcheson's assumption were incorrect, then his recommendation required no further consideration. I added that, whereas the political and military advantage of an agreement between the Government and the Communists along the lines being promoted by Ambassador Hurley were obvious, I could see no *political* advantage to be gained from aiding the Communists in the absence of Chinese unity.

General Wedemeyer said that the Communists had wanted him to accept command over their troops and to organize and equip those troops to fight the Japanese. He intimated that he did not favor our building up a Communist army in China.

I told General Wedemeyer that our thinking had not gone beyond the point of considering the advisability of using the Communist forces for what they were presently worth (that is, as a guerrilla outfit) and of giving them only such supplies as they would be capable of effectively utilizing as guerrillas, such as demolition material and captured Japanese small-arms.

General Wedemeyer said that he was awaiting a "green light" from the Department as to whether aid to the Communists on the limited scale I had described should be given. I again told General Wedemeyer that the question of whether or not such limited material aid could be effectively used against the Japanese to further our prosecution of the war was one which only our military authorities were in a position to decide and that their decision should be based solely on military considerations. If the answer should be in the negative, then there would be no question actually for the State Department to decide. If the answer were in the affirmative, then the State Department would be faced with the problem of deciding whether the military advantages were or were not out-weighed by possible political disadvantages, such as the effect upon Chiang Kai-shek and the National Government. I told him that I could not predict what the Department's decision would be. I recalled to General Wedemeyer the statement made by the Acting Secretary in reply to an inquiry made by the Secretaries of War and Navy that, "if operations are

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<sup>49</sup> No. 324, February 28, 1 p. m., p. 242.

undertaken along the China coast it is suggested that our military authorities should be prepared to arm any Chinese forces which they believe can be effectively employed against the Japanese and that we should at an opportune time so advise the Chinese military authorities" (Memorandum of January 29th<sup>50</sup>). I said that if a similar inquiry were made with regard to aid to Chinese Communist forces elsewhere, the Department presumably would have to consider its reply in the light of existing circumstances.

General Wedemeyer said that there had been much information coming to him with regard to the Communist forces in north China but that he did not consider any of it of a character to warrant a decision as to whether the Communist guerrillas could prove really useful if supplied with American material. He said that I had put the matter in a new light to him; that he had thought the case rested with the State Department when he had mentioned earlier our giving him a "green light"; and that as it now stood he felt that he should obtain fuller and more reliable information regarding the Communist forces. With this idea in mind he felt that he should personally visit Communist territory upon his return to China.

In conclusion we discussed briefly possible developments in the event Russia came in the war in the Far East. General Wedemeyer seemed convinced that the Russians would work independently with the Chinese Communists, should their line of attack bring them into contact with the Communist forces, irrespective of the military command or political situation in China at the time. I had mentioned, quite apart from our immediate problem of effecting military unity in China, the overriding importance of preventing by positive measures on our part (an over-all American command of Chinese troops, for instance) development of a situation in China that would lead to discord between the Russians and ourselves. (Actually it may be that the only feasible method of preventing such discord will be through direct understanding between us and the U. S. S. R.).

J[OHN] C[ARTER] V[INCENT]

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893.00/3-1345

*Report by the Second Secretary of Embassy in China (Service)*<sup>51</sup>

Subject: The Views of Mao Tse Tung: America and China.

No. 10

[YENAN,] March 13, 1945.

Attached is a memorandum of a conversation with Mao Tse-tung. I consider this extensive expression of Chairman Mao's views as of great importance at this critical juncture of China's internal affairs.

<sup>50</sup> *Ante*, p. 37.

<sup>51</sup> Received in the Department about April 27.

*Summary:* The most important new point brought out in Mao's talk is that Chiang Kai-shek's persistence in pushing through plans for a Kuomintang-monopolized National Congress, without first unifying the country and admitting other Parties, will close the door to peaceful compromise. Chiang will have crossed his "Rubicon". The result will be open division of the country. *End of Summary.*

I am as convinced as I was during my talks with Mao last year that American policy is a decisive factor in influencing the actions of the Chinese Communist Party—as well as those of the Kuomintang. Applied to bring about a true coalition government, the Communists will be cooperative. But devoted to support of the Central Government and Chiang, to the exclusion of the Communists, disunity will be stimulated and the consequences will be disastrous.

JOHN S. SERVICE

[Enclosure]

*Memorandum of Conversation, by the Second Secretary of Embassy in China (Service)*

[YENAN,] March 13, 1945.

Mao commenced by asking a number of questions about my recent trip to the United States. He was interested in American official and public opinion toward the war in the Far East, toward China generally, and toward the Chinese Communists particularly.

He then rather mildly observed that America did not yet have a clear view of the issues involved in China, that it did not yet fully understand the Communists, and that although American policy as recently shown in China was still an enigma, he could not believe that it was fixed and unchangeable. America would eventually realize that support of the Central Government alone was not the best way to fight the war, to speed China's progress toward democracy, or to ensure post-war stability in the Far East. "A few months ago", he said, "we were told that the Kuomintang and the Communists were only this far apart". (Holding his thumb and forefinger about an inch apart.) "Now it is certainly apparent that we are this far apart". (Extending the thumb and forefinger in as broad a V as possible.)

From this introduction, Mao launched into a long discussion which may be summarized as follows.

Between the people of China and the people of the United States there are strong ties of sympathy, understanding and mutual interest. Both are essentially democratic and individualistic. Both are by nature peace-loving, non-aggressive and non-imperialistic.

China's greatest post-war need is economic development. She lacks the capitalistic foundation necessary to carry this out alone. Her own

living standards are so low that they cannot be further depressed to provide the needed capital.

America and China complement each other economically: they will not compete. China does not have the requirements of a heavy industry of major size. She cannot hope to meet the United States in its highly specialized manufactures. America needs an export market for her heavy industry and these specialized manufactures. She also needs an outlet for capital investment.

China needs to build up light industries to supply her own market and raise the living standards of her own people. Eventually she can supply these goods to other countries in the Far East. To help pay for this foreign trade and investment, she has raw materials and agricultural products.

America is not only the most suitable country to assist this economic development of China: she is also the only country fully able to participate.

For all these reasons there must not and cannot be any conflict, estrangement or misunderstanding between the Chinese people and America.

But the Chinese people are really the rural population, the farmers. Out of China's 450 million, they number at least 360 million. The intellectuals, the civil officials, the merchants, the capitalists are only a thin crust on top. The peasants are China.

A country of China's size and backwardness cannot be made over quickly. China must be predominantly agricultural for a long time to come.

The problems of the Chinese farmer are, therefore, basic to China's future. China cannot industrialize successfully except on the basis of the solution of the agrarian problem, because the farmers must provide the real market for the products of that industrialization.

We have the example of Japan. She was forced to follow imperialism and aggression because she sought to industrialize on the basis of a feudal society. She did not start with the solution of her domestic agrarian problems.

Wallace<sup>52</sup> and other American statesmen and writers (for instance a recent article by Brooks Atkinson in the *New York Times* on the "Chinese Farmer") show a clear understanding of this fundamental fact about China.

The fundamental demand of the Chinese farmer is freedom from his feudalism condition of tenantry and dependence on the landlord-capitalist for credit and purchase of his products. There must be land reform. And democracy. The farmer must have independence and power to protect his own interests.

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<sup>52</sup> Former Vice President Henry A. Wallace.

Neither the farmer nor the Chinese people as a whole are ready for socialism. They will not be ready for a long time to come. It will be necessary to go through a long period of private enterprise, democratically regulated. To talk of immediate socialism is "counter-revolutionary" because it is impractical and attempts to carry it out would be self-defeating.

The Kuomintang has no contact with the agrarian masses of the population. It is the party of the military and landlord groups who govern through a conservative and unimaginative bureaucracy. It has done nothing, and will do nothing, fundamental to improve the condition of the farmers, to carry out real land reform, or to do away with the still existing remnants of feudalism. It cannot, because to do so would be to attack the basis of power of its main supporting groups.

Afraid of real democracy, the Kuomintang is forced to be Fascistic. Thus we have the strange feudal-fascist combination of the present Kuomintang. This is a background and character from which the Kuomintang is unable to divorce itself.

Unwilling to solve the agrarian problem and thus raise the living standards of the farmers as a basis for industrialization, it turns toward the principle of rigidly planned, State directed and controlled industrial development. Unable, therefore, to create a solid basis for power at home or for cooperative and amicable relations with Russia and other neighbors, it concentrates on "national defense industry" and engages in the dangerous game of power politics.

The expectation of future conflict, internal and external, is implicit in these policies. If its policies are persisted in, this expectation of the Kuomintang is certain to be realized. Under these policies, which cannot be changed without a revolution within the Party and a whole new leadership, the Kuomintang cannot solve China's basic internal problems, cannot lead the country to full democracy, and cannot be a stabilizing power in the Far East.

The Chinese Communist Party, on the other hand, is *the* party of the Chinese peasant. Its program—reduction of rent and interest, progressive taxation, assistance to production, promotion of cooperatives, institution of democracy from the very bottom—is designed to bring about a democratic solution of the peasant's problems. On this basis, and with its realization of the necessity of free capitalistic enterprise based on the unity, not conflict, of all groups of the people, the Communist Party will be the means of bringing democracy and sound industrialization to China. These are the only possible guarantee of peace and stability.

Just as the Chinese farmer cannot be ignored in China's future, neither can the Communist Party. The Kuomintang is seeking to

ignore it. But its guns cannot give it victory. After all, the great majority of the soldiers, as of the people, are peasants. We speak for the people of China because we are for and of the people. And the people know it by our record.

It is to be expected that Chiang will do everything possible to avoid compromise in which he and the groups supporting him will have to yield power and give up their dictatorship. But the road he is taking now leads straight to civil war and the Kuomintang's eventual suicide.

Chiang's refusal to permit any real coalition government and his announced intention of calling the National Congress in November, 1945, are the indications of his growing desperation. This Congress will be wholly a Kuomintang creature. Any invitation for a few non-Kuomintang persons to participate will be insignificant and intended only for window dressing. The delegates to this Congress were chosen by the Kuomintang machinery, with only the hollowest pretense of popular elections, at a time (1936) when there was open civil war between the Kuomintang and the Communists. Those delegates cannot pretend to represent the people who have been fighting the Japanese and governing themselves in the liberated areas for the past seven years. They cannot even pretend to represent the people of Chungking-controlled China.

The election of Chiang as President and the legalization of his government as the "democratic government of China" by this assembly of stooges will be a farce. Such a body is not intended to, and cannot be expected to, do anything else. But the real danger is that this National Congress will be used by Chiang as the means for demanding that the Communists submit to its authority and lay down their arms. Unrepresented, and with the enemy not yet driven from their soil, the Communists and people of the occupied areas will refuse these unreasonable demands. They will then be proclaimed rebels and the stage for open civil war will be laid.

The danger inherent in this latest tactic of Chiang's—the determination to set up constitutional government at once on the basis of the Kuomintang alone—must be made clear to liberals in China and to China's most important friend abroad, the United States. This is the reason for our present seemingly violent propaganda campaign against Chiang. This issue is so vital that we have to make as big a noise as possible.

China's liberals, in and out of the Kuomintang, are numerous and increasing. They include the Democratic Wing and affiliated groups of the Kuomintang, the Minor Parties, most of the intellectuals, and many of the modern capitalists.

But they cannot overthrow the Party machinery or change the present reactionary leadership of the Kuomintang. They will be powerless to control the new “constitutionalism” planned by Chiang’s group. Without the help of American influence, real unity and democracy will have to be won by a long and bitter struggle.

The only hope for a peaceful transition to constitutionalism that will democratically include and represent all the country is a coalition government. Such a coalition government must not wait, for it is also the only way to unify the country now and make effective China’s war effort against Japan.

Why does Chiang determine to push through “constitutionalism” now, before the country is regained from the Japanese and the people of the liberated areas given a chance to express themselves? Because he knows that they will not agree. For the occupied countries in Europe, it has been decided that the definite decision of the form of government is to wait until the country has been liberated and the people themselves can decide and choose their own political leadership. This policy is just and we commend the Allied leaders for adopting it. Why is China an exception? Shanghai is bigger than Athens, and occupied China a far larger country than Greece!

America does not realize her influence in China and her ability to shape events there. Chiang Kai-shek is dependent on American help. If he had not had American support, he would have either collapsed before now or been forced to change his policies in order to unify the country and gain popular support. There is no such thing as America not intervening in China! You are here, as China’s greatest ally. The fact of your presence is tremendous.

America’s intentions have been good. We recognized that when Ambassador Hurley came to Yen-an and endorsed our basic five points.<sup>53</sup> He could not have endorsed them unless he knew that President Roosevelt thought likewise.

We don’t understand why America’s policy seemed to waver after its good start. Surely Chiang’s motives and devious maneuvers are clear. His suggestions of “war cabinets” and “inter-Party conferences” did not solve any basic issues because they had absolutely no power: they were far short of anything like a coalition government. His proposals of “reorganizing the Communist armies” and “placing them under American command” were provocative attempts to create misunderstanding between us (the Communists) and the Americans. We are glad to accept American command, as the British have in Europe. But it must be of all Chinese armies.

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<sup>53</sup> See revised draft by the Chinese Communist Representative, *Foreign Relations*, 1944, vol. vi, p. 687.

Chiang has tried continually to make it appear that the Communists are to blame for the failure of the negotiations. He has pulled a very smart propaganda trick—for foreign consumption—by the promise of immediate “democracy”, this year, through a false National Congress. We refuse to believe that Americans are so easily misled.

It is vitally important that America realize that in calling this Congress, Chiang is playing his “last card”. It will close the door. Once it has been convened, the die will be cast and compromise impossible. We will fight if we have to, because we will be fighting not only for the democratic rights of the 100 million people in the present liberated areas but for the rest of the masses of China as well.

The National Congress cannot be called while half the country is cut off or occupied by the enemy and while all parties but the Kuomintang are denied legality. What the situation requires, and the only thing that can save it, is a coalition government. We hope that America will use her influence to help achieve it. Without it, all that America has been working for will be lost.

J[OHN] S[TEWART] S[ERVICE]

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500.CC/3-1445

*Memorandum by the Secretary of State to President Roosevelt*

[WASHINGTON,] March 14, 1945.

Ambassador Hurley has suggested that you might wish to send the attached telegram to Chiang Kai-shek<sup>54</sup> in regard to Chinese Communist representation on the Chinese delegation to the San Francisco conference. We have discussed the matter with General Hurley and find ourselves in full accord with his suggestion and with the objectives which have prompted him to make it.

Briefly, the suggestion is that you invite Chiang's attention to the advantages which might flow from the inclusion of representatives of the Chinese Communist and other political parties on the Chinese delegation to the San Francisco conference. Two advantages are mentioned: the favorable impression on the conference and the impetus to political unification of China.<sup>55</sup>

E. R. STETTINIUS, JR.

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<sup>54</sup> See telegram No. 447, March 15, 8 p. m., to the Chargé in China, p. 283.

<sup>55</sup> Notation by President Roosevelt: “O.K. F.D.R.”.



893.00/3-1245 : Telegram

*The Secretary of State to the Chargé in China (Acheson)*

WASHINGTON, March 14, 1945—8 p.m.

446. Please deliver a careful paraphrase of the following message from Ambassador Hurley to Chou En-lai:

“Dear General Chou: Thanks for your frank and clear message.<sup>56</sup> I shall be glad to present the subject suggested by you. I hope that no final conclusions on these matters will be made until after my return unless you reach a mutual agreement in the meantime. If you have not reached an agreement before my return, I shall have an opportunity to discuss the subject fully with both parties. Patrick J. Hurley”

STETTINIUS

740.0011 PW/3-1445

*Report by the Second Secretary of Embassy in China (Service)*<sup>57</sup>

[YENAN] March 14, 1945.

Subject: Chinese Communist Expectations in Regard to Soviet Participation in Far Eastern War

*Summary:* Although they refuse to permit speculation [or?] counting on it, the Chinese Communist leaders seem to expect Soviet participation in Manchuria at a later stage of the war against Japan. They are positive that it will not involve Russian demands for concessions or special rights in Manchuria. The significant result will be Chinese Communist control of that vital area. *End of Summary.*

1. It is very difficult to draw the Chinese Communist leaders into discussion or prediction of the probability of Soviet entry into the war against Japan.

*a.* They base their reluctance, in the first place, on the basic assertion that China must not expect or rely on foreign assistance. She must, instead, prepare to drive the Japanese from Chinese soil by her own strength and resources. There is absolutely no question in their minds that Manchuria is an integral part of “Chinese soil”. One of the oldest and most familiar Communist slogans is: “We must drive to the bank of the Yalu River”.

This emphasis on self-reliance is an important part of the Communist Party “line”. They insist that effective prosecution of the war demands full mobilization of the people; that this requires political indoctrination and the granting of political rights and economic reforms benefiting the mass of the population; and that the Kuomintang’s concentration on the decisiveness of outside factors permits it to avoid this vital issue of mobilizing China’s own resources.

<sup>56</sup> See telegram No. 409, March 12, 8 a. m., from the Chargé in China, p. 268.

<sup>57</sup> Received in the Department about April 27.

Fundamental to this argument is the Communist conception of the war against Japan as a national war of liberation which must at the same time, in order for its success, be an important and progressive stage in the Chinese revolution. The primarily conservative Kuomintang fears this "revolutionary" potentiality of the war—which means democracy and economic reform as a basis for popular resistance. It has therefore destroyed the United Front and, by refusing to carry out the measures best calculated to prosecute the war most effectively, become "defeatist".

By an extension of this logic, the Communist leaders feel that the permitting of general expectation of easy salvation through Russian participation will be an impediment to the war effort and the accomplishment of its underlying revolutionary objectives.

*b.* When this theoretical objection has been put aside, the Communists argue that the Soviet Union has done her full share in the war already, and that the losses she has suffered in manpower and resources make it unjust to expect or demand further expenditure in the Far East. Supplemental to this is the statement that, even without active participation, the Russians have nonetheless contributed to the war by pinning down large Japanese forces in Manchuria.

*c.* Another line of argument is that the persistent anti-Soviet attitude of the Chungking Government during the past several years has certainly not been intended to seek Russian help or encourage Russian participation. (I intend to amplify this subject in a separate discussion of Sino-Soviet relations.)

2. Despite these arguments, it is apparent, however, that the Chinese Communist leaders do expect that Russia will eventually enter the Far Eastern war. They insist, for instance, that Russia must be considered an important Far Eastern Power, that she is uncompromisingly opposed to Japanese Fascism (though forced by necessity to appease it temporarily to save herself from the more immediate menace of Germany), and that she will insist on having a voice in the settlement of the problems resulting from the defeat of Japan. They agree that these factors logically require eventual Russian participation in Japan's defeat.

3. As to the probable time of Russian entry, the Communists insist that it cannot be expected for some time yet and probably not until a fairly late stage of the war against Japan. It will take a considerable time after the defeat of Germany for Russia to transfer strength and prepare herself in Siberia. (They believe that some Russian forces, especially air and mechanized units, were moved to the European theater.) And just as the Allies had to build up overwhelming forces in England before opening the Second Front, so these Russian forces will have to be strong enough to be sure of success before action is taken. This is particularly true because of the geographical vulnerability of the Maritime Provinces and Siberian lines of communication. A balancing factor will be the speed

with which Japanese forces in Manchuria are weakened through general attrition of the Japanese war machine. So far, the Communists think, the drainage from Manchuria to other theaters has not been severe; while some units have been withdrawn, their places are probably being taken by fresh units from the homeland.

In any case, they point out, the Russo-Japanese Neutrality Pact<sup>58</sup> still has a year to run, even if the Russians give notice on April 25, 1945.

4. The form and place of this Soviet participation, such Communist leaders as General Chu Teh suggest, will be direct attack by the Red Army against the Japanese Army in Northern Manchuria. They suggest particularly Northwest Manchuria (perhaps in the vicinity of Lake Nomanhan) as most favorable for Soviet mechanized equipment and offensive tactics. All other suggestions of possible lines of Soviet action are discounted.

*a.* Passage through Sinkiang to supply and cooperate with Central Government forces they regard as impractical because of the distances involved. Furthermore they are sure that the Russians have no confidence in the effectiveness and dis-interested cooperation of the Central Government armies. (By "dis-interested" the Communists mean concentration on the defeat of Japan rather than internal political issues.)

*b.* Attempts to push south through Inner Mongolia and Ninghsia or Suiyuan to contact the Chinese Communists would be impractical because of the very great distances over which there could be nothing but difficult motor transport and because of the exposure to flank attack from the Japanese bases in Eastern Inner Mongolia.

*c.* A drive toward Kalgan to reach Peiping and Tientsin would involve the same problems of transport and distance from bases. Furthermore, joining with the Communist forces in Northeast China and even the cutting off of Manchuria from China would not in themselves achieve any major Russian strategical objective. The Japanese in Manchuria would not be weakened and would still be a threat to Eastern Siberia.

5. Communist expectations—or, perhaps, hopes—seem to be about as follows. By the time the Russians are ready to move (say the late Spring of 1946) the situation will be:

*a.* The Japanese home islands will be under direct American attack.

*b.* Manchuria will be isolated from Japan by complete American air and naval supremacy.

*c.* The Communist forces will be greatly strengthened by: (1) continuation of their present rapid growth, and (2) some American supplies and cooperation—probably from the Pacific.

*d.* Chinese military activity, and possibly an American landing even though not on a major scale, will hold the Japanese forces in

<sup>58</sup> Signed at Moscow, April 13, 1941; see telegram No. 763, April 13, 1941, 11 p. m., from the Ambassador in the Soviet Union, *Foreign Relations*, 1941, vol. iv, p. 944.

China, cut Japanese north-south communication lines, and thus isolate Manchuria from China.

When the stage has thus been set, the Red Army will cut off North Manchuria, then advance south. Simultaneously the Communists will commence active infiltration into South Manchuria.

To prepare for this the Communists have expended great energy during the past two years consolidating their base in East Hopei and in extending the area of their guerrilla operations into Jehol and South Liaoning. The "solidity" of this East Hopei base has been tested by the rescue of several American air crews, including a B-29 crew which parachuted near Changli, east of the Peking-Liaoning Railway, and was brought from there in safety to Yen-an by foot. That the potential significance of these Communist bases on the southwestern fringe of Manchuria is not lost on the Japanese is shown by their present intensive mopping-up campaign, which has been going on in the area for more than three months without conspicuous success.

The Communists also have sent large numbers of political organizers (recruited from natives of the area) into Manchuria and claim a well established underground and contacts with remnant nuclei of the old "Manchurian volunteers". Communist reticence in discussing the details of these organizations is understandable at the present time. But the Japanese have from time to time announced the rounding-up of Communist suspects; anti-Communist measures and propaganda in Manchuria and North China continue unrelenting; and there are stringent restrictions on travel from China into Manchuria. It is interesting that most of the natives of Manchuria now in Chungking seem to believe that Communist organization in Manchuria is fairly extensive.

Possible coordination with this Communist activity from the southwest may come from remnants of old guerrilla forces which are reported to be still existing in the mountains of southeast Manchuria. These units are close to the borders of both Korea and the Maritime Province of Siberia and can probably be supplied from the latter. Any Russian assistance to Korean resistance groups and use of whatever Korean forces the Russians have armed will probably start in the same general area and be related to this activity.

As the fighting in Manchuria develops, therefore, the Red Army will advance southward toward the heart of the country in large scale frontal attack on the main Japanese Army while the Chinese Communists and other affiliated resistance forces will work toward Central Manchuria from the southwest and southeast, disrupting communications, creating disturbances, and assisting the Russian main front by tying down as many Japanese forces as possible in the rear.

There is obviously no doubt in the minds of the Communists that the Russians will recognize and cooperate with whatever Chinese forces they meet in Manchuria, i. e. the Communists. This is so taken for granted that it is not worthy of mention.

6. Regarding the possibility of Russian demands of territory or special rights in Manchuria, the Communists are most emphatic. They insist that because "the days of Russian imperialism are over" there will be no such demands. But Russia does want, they believe, a China which will have cordial and friendly relations with Russia, and which will permit normal use, on a commercial basis and without any infringement of Chinese sovereignty, of Manchurian transport and port facilities. This would mean absence of unreasonable or onerous impediments to trade between the two countries or in transit. Such conditions, the Communists maintain, would be of advantage to both countries.

7. It does not need to be pointed out that such a course of development will leave the Chinese Communists in control of Manchuria. That the Communists are confident of gaining this control, by the particular process described or otherwise, is obvious.

The Communists are fully aware—as is the Kuomintang—of the importance of Manchuria as China's major and only well developed heavy industrial base. The description of Manchuria as "the Cockpit of Asia"<sup>59</sup> is truer now than when it was used as the title of a book written twelve years ago on the significance of the original Japanese invasion.

JOHN S. SERVICE

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500.CC/3-1545 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, March 15, 1945—8 p. m.

447. Please deliver a close paraphrase of the following message from the President to President Chiang Kai-shek (eyes alone):

"I have received from Ambassador Hurley a detailed report in regard to the situation in China and the various problems facing you and I am encouraged to learn that progress is being made.

In connection with the forthcoming United Nations security conference to be convened at San Francisco on April 25, for which the National Government of the Republic of China is a sponsor, General Hurley has informed me of the suggestion made to him by the Chinese Communist Party that the Chinese delegation be composed of representatives of the Kuomintang, the Democratic Federation, and the

<sup>59</sup> George E. Sokolsky, *The Tinder Box of Asia*, (Garden City, N.Y., Doubleday, Doran & Company, Inc., 1932).

Communist Party on a basis of equality. I fully concur in General Hurley's reply to the effect that the conference at San Francisco is to be a conference of national governments and not of political parties.

At the same time, I would like to let you know that I can anticipate no disadvantage that would arise from the inclusion in the Chinese Government's delegation of representatives of the Communist Party or other political parties or groups. In fact, there might be distinct advantages in such a course. Undoubtedly a very favorable impression would be created at the conference and this democratic gesture by you might prove of real assistance in your task of unifying China.

As you no doubt know, the major political parties in this country will be represented on the United States delegation and I believe that Canada and other nations are following a similar course.

I send you my personal greetings and good wishes and earnestly hope for your continuing good health. Franklin D. Roosevelt"

STETTINIUS

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893.00/3-1645

*Report by the Second Secretary of Embassy in China (Service)* <sup>60</sup>

No. 14

[YENAN,] March 16, 1945.

Subject: Communist Views in Regard to Mongolia.

*Summary:* Outer and Inner Mongolia are parts of China. Russia's actions have not been aggressive. Given fair treatment, active assistance in improvement of their social, economic and cultural conditions, and autonomy on a federative basis, the peoples of Outer and Inner Mongolia will join together and remain a part of China. Otherwise, China cannot hold them. *End of Summary.*

Russia has and still does recognize Outer Mongolia as a part of China.<sup>61</sup> Her actions there have been necessitated by the danger of a vacuum into which the Japanese could have come. They would not have been necessary if China had ever followed an enlightened policy toward the Mongols and was able to afford them adequate protection.

Russian treatment of the Outer Mongols has been just and highly beneficial to the Mongols. The people have been enabled to gain political freedom from the feudal princes and to curb the stultifying and repressive influence of the established Lama religion. Their economic condition has been greatly improved by training in modern animal husbandry and the introduction of agriculture and some industry. They have been given adequate means of self-defense.

The people of Inner Mongolia cannot help but contrast their conditions and the treatment they have traditionally received from the Chinese with the policies followed by the Russians.

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<sup>60</sup> Received in the Department about April 27.

<sup>61</sup> Marginal notation: "Suzerainty only".

A tendency for unity between the Outer and Inner Mongols is inevitable. But at present all Mongols, except the Princes and Lamas who have been bribed and corrupted by the Chinese, hate the Chinese. Chinese policy has aimed only at holding the allegiance of the top groups, while exploiting the rest of the people. The way that Chinese policy has "paid off", even with the Princes, has been shown by their willingness during the present war to cooperate with and fight for the Japanese.

The only policy by which China can hope to hold the Mongols is to give them national autonomy on the basis of equality within a federative state. This will include the right of secession.

But mere granting of national autonomy will not be enough. China must desist from support of the feudal classes of Prince and Lama. The people must be given democratic rights and training in their use. There must be economic improvement. Better communications and non-exploitative trade with China must be developed. At the same time there must be friendly relations with the Soviet Union because Northern Mongolia must maintain economic ties with it. The Mongols must be permitted and encouraged to revivify their own national culture.

If these things are done, both Outer and Inner Mongols will be willing and glad to remain a part of China.

However, there seems at present to be little hope that the Kuomintang understands this or is willing to carry out these policies. In contradistinction to Dr. Sun Yat-sen's Three Peoples Principles, which clearly calls for the cultural equality and autonomy of minority nations, Chiang Kai-shek's *China's Destiny* shows a chauvinistic determination to obliterate these nationalities and deny them separate political or cultural existence. It is preposterous to claim, as Chiang does, that all the races of China are really one nation.

The general outline of these views has been stated by Mao Tse-tung in various conversations. Details and the whole summary substantially as here set forth were given by Po Ku<sup>62</sup> in a conversation on September 3, 1944, from the notes of which this has been written.

JOHN S. SERVICE

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840.50 UNRRA/3-1745

*Report by the Second Secretary of Embassy in China (Service)*<sup>63</sup>

No. 16

[YENAN,] March 17, 1945.

*Summary:* Communist leaders in Yen-an are considering the establishment of a relief and rehabilitation organization for all areas under

<sup>62</sup> This was Chin Pang-hsien, member of the Politbureau and head of the propaganda apparatus of the Chinese Communist Party.

<sup>63</sup> Received in the Department about April 27.

their control, i. e., most of occupied China. Completion of plans will probably be delayed. But if a coalition government is refused by the Central Government, the Communists will thus hope to deal directly with organs such as UNRRA to avoid the Kuomintang's use of relief as a political weapon. *End of Summary.*

Preliminary steps have been taken at Yen-an to establish a central body for handling relief and rehabilitation matters for all the areas now controlled by, or to be recovered from the Japanese by, the forces of the Communist liberated areas.

These areas now include practically all of occupied China outside of the Japanese occupied cities and communication lines. As the war progresses, it is likely that they will continue their recent growth and eventually take in the cities.

The present proposal is that this body will be made up of representatives of the various liberated area governments (14 in all) who are already concerned with relief and public health work in their respective areas. It would take some months for these representatives to assemble in Yen-an and the organization will probably keep a skeleton, decentralized form.

Actually no definite decision on the formation of the body seems to have yet been reached. Preliminary discussions in Yen-an were conducted under the chairmanship of General Chou En-lai. There is general agreement that such a general relief organization is desirable, if only to survey the relief requirements. But the urgency of other matters (the negotiations with the Kuomintang, the impending Party Congress, etc.) and the feeling that outside relief is not going to be able to reach the Communist areas on any important scale for some time to come, seems to be partly responsible for the present delay.

Another important reason, however, is the desire to await further clarification of the political situation in China. If the Kuomintang agrees to form a coalition government, such an organization will be unnecessary and its creation now might be an exacerbating factor in the negotiations between the two parties. But if the Kuomintang refuses all compromise, persisting in its present policy of instituting constitutional government through a purely Kuomintang National Congress, there will be a tendency toward separation between the two camps. The Communists expect that the Central Government will then try to use relief as a political weapon against them.

By such time, the Communists will probably have some form of separate government of the areas under their control. They will refuse the authority of the Central Government in those areas. Such a relief organization will then become the agent of that government in seeking foreign assistance and working with Allied relief organizations.



The problems that such a development will present to such organizations as UNRRA do not need to be spelled out. It is interesting and perhaps significant that although the various governments of the liberated areas are already in substantive control of by far the greater part of occupied China, they have not yet been contacted by either American or Chinese agents of UNRRA in any attempt to investigate and survey the relief and rehabilitation needs of those areas.

JOHN S. SERVICE

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740.0011 PW/3-1745

*The Second Secretary of Embassy in China (Rice) to the  
Chargé in China (Atcheson)*<sup>64</sup>

No. 155

SIAN, March 17, 1945.

SIR: I have the honor to refer to my despatch to the Embassy no. 145, March 11, 1945 entitled, "Reported Sending by Teh Wang of Emissaries to Outer Mongolia," and to report as follows information supplied me by Bishop Thomas Megan in regard to the alleged sending to the Soviet Union of Chinese Communist representatives.

Bishop Megan states that a few days ago he had a conversation with the commander of a Chinese Central Government Guerrilla Second Detachment stationed in the Chungt'iao Mountains of southern Shansi. This commander, he says, admitted that his men do a certain amount of fraternizing with Chinese Communist guerrillas and claimed that they have told his men that since the return to Yen-an of Chou En-lai the Yen-an authorities have sent emissaries to Moscow. Bishop Megan got the impression that they are supposed to be seeking active help from the Russian Government.

Respectfully yours,

EDWARD E. RICE

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893.00/3-1745

*Report by the Second Secretary of Embassy in China (Service)*<sup>65</sup>

No. 17

[YENAN,] March 17, 1945.

*Summary:* Almost all of the important Communist-held areas in North and Central China have now been visited by American Army observers or rescued American air crews. All evidence verifies Communist claims of controlling substantially all of the countryside of "occupied" China. *End of Summary.*

Ever since the arrival of the U. S. Army Observer Section in Yen-an and the establishment of direct contact with the Headquarters of the

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<sup>64</sup> Copy transmitted to the Department by the Embassy in China on April 26 without covering despatch; received May 9.

<sup>65</sup> Received in the Department about April 27.

Communist armies, there has been some hesitancy to accept the Communist claims to have effective control of the countryside of those parts of North and Central China which are under nominal Japanese occupation. Until we had seen for ourselves, such hesitancy was justified: the extent of Communist claims surprised even those who had made efforts to collect all previously available information on their activities.

Due to lack of personnel, absence of facilities such as air assistance, and the slowness of overland travel by foot, the Observer Section has made relatively slow progress in inspecting the various Communist bases behind the Japanese lines. Officers of the Section have, however, covered northwest and northeast Shansi, southeast Shansi and west Hopei (including visits to the Peiping and Paoting areas).

Officers of other organizations have visited the Hankow area and North Chekiang.

But by far the greatest aid to our verification of the extent of the Communist areas has been the large number of American airmen (now some 70) who have dropped to safety in those areas.

The attached map<sup>66</sup> shows the approximate routes traveled by American observers on assigned missions and by these rescued airmen. (Although a number of flyers have been rescued in the East River Communist area near Canton, their routes are not shown because the area is relatively small and well-known.)

It will be noted that routes traveled include all of the major Communist bases except the Shantung Peninsula (which apparently has not been the scene of air activity). From their points of rescue some of the air crews have traveled as far as 1000 miles through Communist-held territory.

Crews have traveled under Communist protection from the seacoast near Shanhaikuan (just south of the border of Manchuria) around Peiping to Yen-an. Others have landed on the coast of North Kiangsu and traversed that province and Anhwei. Another party dropped just across the river from Nanking and was brought to Shansi.

The Communists have rescued men near Shanghai, Hankow, Canton, Nanking and Taiyuan—all important Japanese-held bases in China. Flyers have dropped safely within a mile of Japanese airfields or blockhouses.

Over a hundred American crossings of Japanese-held railways have been made safely.

It is axiomatic that it is difficult to hide an Anglo-Saxon traveling through China. But except when crossing railways or in areas very close to the Japanese, practically all travel was done by day without any attempt at concealment. In fact, public celebrations, mass meetings and speeches along the way were customary. Newspapers pub-

<sup>66</sup> Not found in Department files.

lished in the base areas noted the passage of American visitors. Some of the parties did not even take the bother of exchanging their American Army uniforms for Chinese clothing.

Passage across solidly held areas of Chinese control, in which there were no Japanese forces, sometimes took a week or more of steady travel.

The rescued aviators I have had a chance to talk to have agreed with the officers of the Observer Section in their favorable impression of the Communist forces with which they had contact. The so far unequaled opportunities for extensive observation enjoyed by these men makes the collection and compilation of their reports a most important source of information concerning the Chinese Communists.

The following conclusions are now justified:

(1) We must accept as substantially correct the Communist claims to control the countryside of North and Central China behind the line of Japanese penetration.

(2) Our past consideration of this territory as "Japanese occupied" should be revised. The Japanese hold only a thin skeleton: the rest of the area is controlled by forces on our side.<sup>67</sup>

JOHN S. SERVICE

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893.00/3-1845 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 18, 1945—8 a. m.

[Received 12:20 p. m.]

456. Following is summary of memorandum of March 11 on present Communist attitude toward Chungking prepared by Second Secretary Service now at Yen-an:

Communists have greatly strengthened their attitude and their self-confidence is even more marked. Move to compromise with Kmt not entirely closed. Communists, however, no longer consider Generalissimo necessary head of state. Communists have declined participation in "War Cabinet" (Embassy's 180, February 7, 8 a. m.) which is considered without authority and therefore a dead issue. Consideration of "Political Advisory Committee" seen halted by uncompromising attitude of Generalissimo revealed in his speech of March 1 (Embassy's 354, March 3, 10 a. m.). Any political solution

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<sup>67</sup> In a memorandum of May 9 the Assistant Chief of the Division of Chinese Affairs (Chase) observed:

"Service reports pretty convincing evidence that the Communists' claims as to the extent of Communist-controlled territory (substantially all of the countryside of occupied China') are not appreciably exaggerated.

"It is believed that his report warrants an upward revision in our estimate of the extent and population of Communist China."

based on action taken by Kmt Congress and National Congress composed by 90 percent Kmt members selected before outbreak of hostilities would not be recognized.

Communists demand  $\frac{1}{3}$  representation at San Francisco and another  $\frac{1}{3}$  for other non-Kuomintang members. If Communist representation is refused they will proceed with establishment of "Federal Council of Democratic Liberated Areas". Communist Party Congress to consider this matter is to be called for end of March.

Communist expansion fully admitted and justified on grounds of assistance to war effort and necessity of protection against Kuomintang plans to liquidate them both militarily and politically. An additional reason not voiced by Communists would be anticipated Japanese pressure in North China with view to establishment of *cordon sanitaire* between China and Manchuria.

Present tendency is not toward unity but away from unity. Conflicts with Kmt are widespread and open civil war is anticipated.

ATCHESON

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893.00/3-1845

*Report by the Second Secretary of Embassy in China (Service)* <sup>68</sup>

No. 18

[YENAN,] March 18, 1945.

*Summary:* Organizations have been set up unifying all labor and women's organizations in the Communist liberated areas. These indicate a trend of more open opposition to the Central Government and may become a step in the establishment of a separate Communist-dominated government if the Kuomintang continues to exclude the Communists from the Government and the coming National Congress. *End of Summary.*

Within the past few weeks the official Communist Party newspaper at Yen-an has announced the establishment of federations of labor and women's organizations of all the Communist liberated areas.

Details of these new organizations are not yet available and will be reported more fully at a later date. It is probable that the organizations are not yet complete. For instance, it is understood that the labor federation at present comprises only the Shensi-Kansu-Ningsia Border Region, Shansi-Suiyuan and Shansi-Hopei-Chahar. A close-knit organization will probably be impossible because of the physical separation of the various bases involved and the difficulty of travel or other communications. At the same time unity is facilitated by the fact of pervading Communist influence and leadership.

This creation of federal organizations covering several areas is a new development. Labor and women's groups, as well as other cate-

<sup>68</sup> Received in the Department about April 27.

gories of mass organizations sponsored by the Communist Party, have of course been unified within the different Communist bases. But each of the 14 main bases is a separate entity under an independent government.

It may be said that the independence and separateness of these governments, and of the mass organizations under them, is more nominal than real because they are all dominated by the Communist Party. This is true. But the Communist Party in the past has consistently maintained this separation on grounds of policy. It supplied the stimulus and organizing ability but sought to have the different bases develop as spontaneous, local expressions of popular resistance to the Japanese in areas behind the fighting lines and abandoned by the Kuomintang. To have set about the consolidation of these governments, or the creation of broad mass organizations, would have given the impression of undermining the United Front by setting up rivals to the National Government or its subordinate organizations, such as the Ministry of Social Affairs' labor unions.

As I wrote last year (in my report no. 26 from Yen-an<sup>69</sup>), this upholding of local democracy, separation of governments, and limitation of Communist participation through such measures as the three-three system, has not actually hampered Communist control and effective unity. This control and unity is a reality because the Communists are the only well-organized, aggressive party common to all the governments. The newly announced federations are, therefore, more a change in appearance than in fact.

This, however, is precisely their importance. They are indications of a forward step in Communist policy toward the Kuomintang and Central Government. The formal linking up of these mass organizations into unified bodies covering practically all of occupied China is a logical step toward open opposition to the Central Government and the possible eventual federation of the various bases under a Communist-dominated government. If labor and other groups within the present independent governments are unified, the separateness of those governments becomes more and more a fiction.

Such a federation of the various Communist base governments is actually under consideration now. Its establishment, and the form and powers which it will assume, will be determined by the policy of the Kuomintang. As far as I can judge from the present guarded statements of Communist leaders, the federation (implying at least a semi-government for all the liberated areas) will certainly be set up if the Kuomintang continues its present rigid attitude of refusing to admit the Communist and other parties to any actual share in the Government and persists in its present plans for a wholly Kuomintang

<sup>69</sup> September 10, 1944, *Foreign Relations*, 1944, vol. VI, p. 623.

National Congress, elected 9 years ago during a period of civil war, to institute "constitutional government". The decision on this matter is one of the most important matters on the agenda of the imminent Communist Party Congress.

Even though this union of the Communist area governments does not materialize, the creation of these unified mass organizations (and the central relief and rehabilitation body mentioned in my report no. 16 of March 17, 1945) will create future problems in relations between the Kuomintang and Communist parties. They will be large, well-organized, thoroughly indoctrinated political organizations competing with similar Kuomintang organizations.

The labor organization may be particularly important. The Communists claim that they have 800,000 organized workers. Most of this number is within their actual areas of present control and includes many handicraft workers. But it also includes secret trade-unions among the Chinese workers of the Japanese-held railway and mines of North and Central China. Significantly, the Communists make no specific claims in this figure of labor organizations in such cities as Hankow and Shanghai. But their leaders have repeatedly stated, and it is probably true, that their underground organization among the workers in these industrial centers is active and extensive.

By openly setting up their own general labor organization, the Communists prepare for competition with the Kuomintang when it tries to regain control of these cities and the occupied areas of Central and North China. In such competition to organize and hold the support of the workers, the Kuomintang is, on the basis of its past history, going to be a poor match for the Communists. The Kuomintang labor organizations have been government-controlled with little actual worker representation. They have been repressive in character and have done little to benefit the workers.

The establishment by the Communists of a general labor organization, therefore, brings the future conflict almost into the open. It comes close to throwing down the gauntlet to the Kuomintang.

JOHN S. SERVICE

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893.00/3-1945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, March 19, 1945—5 p. m.

[Received March 19—3:12 p. m.]

811. Sulzberger received his story from a source which he is pledged not to reveal. From the way the Soviets (ReDeptel 566, March 12,

3 p. m.) operate I am quite sure that the story did not come from a Russian source and I have reason to believe Sulzberger based his story on information received from a foreign Embassy here.

HARRIMAN

893.00/3-2045 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 20, 1945—10 a. m.

[Received 1:45 p. m.]

463. Chungking edition *Shanghai Evening Post and Mercury* March 18 carries statement from spokesman for numerically small but definitely influential Democratic League to effect that League's supporters probably would not participate in Kuomintang-dominated National Assembly which Generalissimo has announced would meet on November 12 to approve a constitution (Embassy's 343, March 2). Spokesman stated that Assembly could not meet national demands for unity for the following reasons: (1) Delegates were selected 9 years ago during period of strongest party dictatorship; (2) many able, intelligent and democratic elements will not be included in Assembly, (3) Assembly will not include many who were not eligible 9 years ago because of age limitations but have made great contributions to war of resistance; (4) members of Kuomintang Executive Committee, numbering several hundred, will automatically be members of Assembly—such an Assembly, camouflaged under name of National Assembly, would be nothing more than Assembly of Kuomintang and its adherents and, therefore, undemocratic; and (5) able and intelligent citizens in occupied areas would not be represented.

Spokesman expressed personal opinion that Assembly would not meet as scheduled, he said that on four previous occasions scheduled meetings of Assembly had been cancelled.

ATCHESON

893.00/3-2045

*Report by the Second Secretary of Embassy in China (Service)*<sup>70</sup>

No. 20

[YENAN,] March 20, 1945.

*Summary:* Captured documents in the hands of the Communists and free statements to a foreign observer by a captured General of Yen Hsi-shan's<sup>71</sup> Army are conclusive proof that Yen has relations with

<sup>70</sup> Received in the Department about April 27.

<sup>71</sup> Chairman of Shansi Provincial Government and Commander of the 2d War Zone.

the Japanese which are undoubtedly known to the Central Government. *End of Summary.*

[Here follows a detailed account of General Yen's alleged activities.]

It may be considered that I have given undue attention to a side-show of the situation in China. The incidents described are indeed minor. But they are typical and the aspect of the situation which they reflect is fundamental. In the particular instance, they are so well documented that they cannot be ignored. And Yen Hsi-shan's position is so obvious that even the most charitable minded cannot assume that Chungking does not know of the situation.

It is by knowledge of this type of attitude shown by Yen, and of Chungking's complicity in it, that we can better understand the basic issues in China and the fact that the internal struggle for power has precedence over the defeat of the foreign enemy.

JOHN S. SERVICE

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893.00/3-2145 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, March 21, 1945—6 p. m.

[Received 8:05 p. m.]

2915. The *Times* editorial on Chinese unity (see Embassy's 2914, March 21<sup>72</sup>) published this morning was commented on by Sterndale Bennett who expressed the view that it was a valuable statement of the present problem confronting the Chinese. He said that the conclusion reached by the editorial, namely, that if the "Communists" content themselves with a plain refusal of the offer of Central Government they will put themselves in the wrong, was undoubtedly correct and he felt that the time had come when this should be made plain. Sterndale Bennett expressed the opinion that the favorable publicity recently showered on the Chinese Communists in both the U. S. and Great Britain may have had the effect of making the Communists more intransigent than they would otherwise have been and that it is now necessary to give them a word of warning. He emphasized that Chinese unity is essential but that it can only come about if both factions are willing to compromise. He feels that the Central Government has made a reasonable offer and that it is up to the Communists to make more than merely a negative reply.

WINANT

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<sup>72</sup> Not printed.



893.00/3-2145

*Report by the Second Secretary of Embassy in China (Service)*<sup>73</sup>

No. 21

[YENAN,] March 21, 1945.

[Here follows survey of political situation in Kwangsi.]

Whether or not it is true, it is important—as a factor in Chinese morale—that most Chinese believe that Chiang was not sorry to have the Japanese clean up his opposition in the Southwest. Certainly the Southerners believed this and accordingly saw no sense in throwing away their forces in desperate resistance. In both the Kwangsi fighting and in the recent Japanese drive to clear the southern section of the Canton-Hankow railway, these provincial forces put up little more than token resistance.

Incidentally we lost our southern airbases.

Li Chi-sen and a part of his group carried out their already completed plan of withdrawing southward to the Kwangsi-Kwangtung border and setting up a guerrilla area. Under the military leadership of Tsai Ting-kai, of 19th Route Army fame, this area is now busy building up a new army and is seeking to establish a working agreement with the Chinese Communists, whose methods of stimulating popular mobilization it seems to [be] following. Its relation to Chungking is one of practical independence.

This new group now wants to receive American supplies. Strategically situated close to the coast, behind the Japanese and close to communication lines, it would be justifiable on military grounds for us to aid them. Chiang is refusing to permit us. We can expect that he will continue to.

While this strongly liberal group around Li Chi-sen moved south to start independent, popular resistance, the Kwangsi forces were split. Pai Chung-hsi persuaded the Kwangsi Provincial Government to stay with Chungking: it moved north into Chungking territory. Chang Fa-kuei, falling back before the Japanese advance, was ordered to move west. At Poseh, in an isolated, almost barren and sparsely populated northwest corner of the Province, he still has a toe-hold in Kwangsi. But the few troops he had had were almost gone and lacked supplies.

With his 4th War Zone reduced to almost nothing, it seemed logical to place it under the command of Ho Ying-chin. Chiang's dissatisfaction—over his new command position or the lack of anything to fight with—was assumed to be responsible for his trip to Chungking in February and his apparently deaf ear to orders to return to his post.

Meanwhile Li Tsung-jen's position in the North was not happy.

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<sup>73</sup> Received in the Department about April 27.

His 5th War Zone had suffered losses and been cut in two by the Japanese drive in the Spring of 1944 along the Peiping-Hankow railway. It was not surprising that his troops—ill-supplied, demoralized and without the support of the people—were routed. That part of them in the Tapiéh Mountains, east of the railway, were now completely cut off.

Despite these “watch-dog” forces, the Communists had reestablished themselves and expanded steadily around Hankow during the past 5 years. Now the situation became even worse from the viewpoint of the Central Government. The whole area east of Peiping-Hankow railway, being behind the new Japanese lines, had now, according to the Communist definition, become legitimate ground for their activities. Li's forces in the Tapiéh Mountains were ordered to stop this expansion. They made at least a half-hearted attempt. There has been sporadic fighting and an American officer was with Communists in this area when they were attacked by Li's troops.

Li Tsung-jen ordinarily would not mind fighting Communists. He has done it enthusiastically in the past—when the Communists invaded Kwangsi on their “Long March”. But now his forces were depleted, starved of supplies, and cut off from the hope of receiving any more. In his mind the question was probably not so much of saving his forces to fight the enemy as: “If I lose what few troops I have left in fighting the Communists, where will I be in the Chinese political picture.” To Chiang in Chungking it apparently seemed that Li was showing too little ardor. The Communists, moving in from north and south, made steady progress in organizing and taking over the isolated pocket to the east of the railway.

The Japanese drive into Kwangsi, which broke the Southwest clique and sent a part of it into independent guerrilla opposition to Chiang, made it easier for Chiang to take his next step. Robbed of his political base, Li was weaker and hence less necessary to appease. Chinese said that it would not be long before Li would be in trouble.

They were right. In February, 1945, Li was superseded as Commander of the 5th War Zone and “promoted”, in accordance with the familiar pattern, to Head of the Generalissimo's Field Headquarters at Hanchung, South Shensi. Nominally, this is a big job because it is supposed to mean control of several war areas. Actually, it means nothing because it is without direct command of any troops. The forces in the field get their orders from Chungking.

Li's successor in the 5th War Zone was Liu Chih, former Garrison Commander of Chungking. He is not noted as a capable commander, but is definitely a Central Government man and close to Ho Ying-chin. He will presumably be glad to use what is left of Li's Kwangsi troops in the Tapiéh Mountains to stop the expansion of the Communists.

Meanwhile, the Japanese have started their new drive toward Nanyang and Laohokow and are finding the same weak resistance they enjoyed in the Honan drive of just a year ago.

Chiang now may be able to rest easier: the Kwangsi clique seems to be finished. But is it? A province has been lost and its people and soldiers embittered. And the liberal group under Li Chi-sen, taking a leaf from the Communist book by organizing popular resistance behind the Japanese, where Chiang cannot reach them, may yet have to be reckoned with.

Chiang can congratulate himself that "unity" has been furthered by the clever disruption—in which the Japanese had an important part—of a strong provincial group. But is the result really unity?

This example of Chiang's methods is of interest, not because it is so clear-cut and so devastatingly complete in result, but because it is typical. The pattern can be applied in varying degrees to his handling of the Szechwan warlords, the Northeastern Armies, the Feng Yu-hsiang group, and many others.

This general policy has been consistently followed by Chiang since at least 1927. One notable application was the use of civil war with the Communists to reduce and dominate the local governments in south and west China. Another was the political manipulations of local warloads against each other to betray their autonomy, as best demonstrated in the suppression of the abortive Kwangtung-Kwangsi revolt in 1936. Another was the use of regional troops against the Japanese in 1931-2 for similar purposes.

Since the Sino-Japanese war began, the strategic placing of regional troops, as well as their use against the enemy, has been designed to reduce provincial strength. On a typical front, provincial troops are not only the ones directly facing the enemy—with the Central troops getting most of the supplies but staying in the rear as security forces—but the troops come from the most distant provinces—western troops in the east, southern troops in the north, and so on. This not only cuts down regional strength in the home provinces; it also prevents the development of strong regional armies at the front, as might occur if the troops were defending their home provinces or were fighting among people who spoke the same dialect and with whom solidarity might be found.

The handling of the provincial leaders has been along the same lines. Political unity and strength of groups outside the Generalissimo's immediate clique has consistently been thwarted by the mixing of regional groups and by partiality in appointments. The attempt has been to maintain a balance of power, hence lack of power, among and within these groups outside the Central Government. Once a

leader has been divested of his army, or political strength, he is elevated to a meaningless position of high rank but no power.

Unfortunately the price of such a policy is heavy. The country cannot be honestly unified on such a basis. No people are more sophisticated than the Chinese in this game. The effect for the war is to convince the provincial groups that they are fools to waste their armies and sole base of power in fighting the Japanese.

Actually the result of Chiang's policy is to increase dis-unity and weaken the war effort. Through his inability to progress beyond his early days of civil war intrigue, Chiang has lost much of the confidence of the people of China and is faced today with the problems of a country far less unified than when it rallied to his support in the early months of the war against Japan.

JOHN S. SERVICE

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500.CC/3-2245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 22, 1945—2 p. m.

[Received March 22—10:26 a. m.]

477. We did not receive until this morning your 447, March 15, 8 p. m. I immediately sought an interview with the Generalissimo through the political Vice Foreign Minister<sup>74</sup> who stated in strict confidence that Chiang was away from Chungking and would not return until March 26. The Vice Minister suggested that I deliver the message to Soong and, as the Chinese delegation is now being composed, I followed this suggestion and at noon handed the message to Soong for communication to the Generalissimo.

Soong read the message thoughtfully but made no comment other than to say that he would forward it to Chiang. I made some remarks in support of the last sentence of the third paragraph of the message in regard to the favorable impression which would be created in the United States by the suggested action but these did not elicit comment from the Foreign Minister.

ATCHESON

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893.00/3-2245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 22, 1945—4 p. m.

[Received March 22—12:15 p. m.]

480. Message dated March 17 from Second Secretary Service, now in Yenan, transmitted through U. S. Army. Headquarters indicates

<sup>74</sup>K. C. Wu.

that high Communist leaders have on their own initiative made statements to him along following lines:

1. Communists are eager to cooperate with American commander of American landing forces, but they will not accept American command unless it is extended to include Chungking forces. Nominal American command under Generalissimo of Communist forces, with Chungking armies under Generalissimo alone and not subject to American over-all command, will be unacceptable.

2. Persistence of Kuomintang to proceed with its present plan for constitutional government without previous inclusion of Communists and other parties will lead to division of China.

ATCHESON

893.00/3-2245

*The Vice Consul at Chengtu (Service) to the Secretary of State*<sup>75</sup>

No. 3

CHENG TU, March 22, 1945.

[Received April 19.]

SIR: I have the honor to submit an account of an interview held on March 12, 1945, with General Liu Wen-hui, chairman of the Sikang Provincial Government, who returned recently to Sikang following a month's visit to this city. General Liu shares the distinction with Generals Teng Hsi-hou and P'an Wen-hua, Pacification Commissioner and Vice Pacification Commissioner, respectively, for Szechuan and Sikang, of being one of the most powerful provincial leaders in west China. Like Teng, he has in the past been a governor of Szechuan. P'an, Liu and Teng form a triumvirate of provincial political power supported by personal armies said to total approximately 100,000 troops.

General Liu appeared to be in good health. His lean face, high cheek-bones and alert, shrewd eyes bespoke a cunning nature; his questions were abrupt and to the point. After a few courteous remarks of a personal nature the chairman asked about news from the Pacific front. He displayed great interest in the B-29 incendiary bombing of the heart of Tokyo, and in the ferocity of the battle for Iwo Jima. When the writer turned the discussion to the course of the war in China, General Liu remarked with some bitterness that the Generalissimo (he used the term "that one in Chungking") is managing that business, and that thus far provincial troops in Szechuan have received no American equipment. The general then brought up the subject of possible American landings on the coast of China, and said that he hoped that Chinese troops near the coast who were prepared to cooperate with the Americans in operations against

<sup>75</sup> Approved by the Chargé for transmission to the Department.

the Japanese would be properly equipped by the U.S. Army without regard to the attitude of the Central Government. He added that it was scarcely conceivable that the Generalissimo would acquiesce in the arming of Chinese Communist New Fourth and Eighth Route forces in Kiangsu and Shangtung when his present policy is to refuse equipment to provincial troops<sup>76</sup> in Free China. When questioned concerning conditions in Sikang, General Liu stated that the province was quiet and that there were no outstanding problems at present. In terminating the interview, he invited the writer to visit him there in the spring, following his return from a projected trip to Chungking in April or May.

The Department will have noted from reports of the writer's predecessors at Chengtu that General Liu has in the past displayed no reticence in their presence in making comments critical of the Central Government. Liu may be considered the spokesman and "brains" of the Szechuan triumvirate; Teng is easygoing and disposed to compromise, while P'an, who controls most of the provincial troops in west China, is said to nurse dreams of an old-style governorship uninhibited by interference from a central government. General Liu's comments in the course of this interview reflect the semi-autonomous spirit of the Szechuan warlords, who resent the encroachments of central authority at the expense of their traditional domination of this great province. The strength of these warlords, supported by great numbers of secondary military leaders and by the notoriously reactionary Szechuan secret societies, will prove a troublesome problem to the Generalissimo in his efforts to obtain the wholehearted support of China's masses for the unification of the nation and the prosecution of the war against Japan.

Respectfully yours,

RICHARD M. SERVICE

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893.00/3-2245

*Report by the Second Secretary of Embassy in China (Service)*<sup>77</sup>

No. 22

[YENAN,] March 22, 1945.

*Summary:* A number of recent appointments of reactionary military men who have been associated with anti-democratic or secret police groups seem to point to preparations for civil war and thus cast doubt on the Generalissimo's professed democratic and peaceful intentions. *End of Summary.*

It is the continual plea of the Generalissimo and his supporters that he sincerely wishes to do everything possible to bring democratic

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<sup>76</sup> Marginal notation: "Why should they get equipment?"

<sup>77</sup> Received in the Department about April 27.

unity to China and to avoid civil war, and that "his good intentions should be trusted".

In the political field, these intentions are as yet unimplemented. They remain the promises that have been made many times already.

On a more practical level, an indication of the Generalissimo's intentions can be found in the nature of a number of recent appointments. These appointments are too similar in character and too numerous to be accepted as coincidental. Regarded in any light, they are ominous.

[Here follows detailed report.]

The trend of these important recent personnel shifts is obviously toward the placing of: (1) strong and completely trusted Central Government men, of proved anti-democratic and anti-Communist records, in all important military commands and particularly in positions facing the occupied area; and (2) the appointment of men associated with reactionary, anti-democratic internal police organizations to take charge of large cities and new territories after their liberation.

Against this tendency must be placed the facts: (1) that the occupied areas are practically synonymous with the territory now dominated by, and in future to be contested with, the Communists; and (2) that all the important cities of occupied China are threatened by adjacent areas of Communist activity.

The chessmen are being moved into position—for a game that looks far different from the peaceful democratic unification of China described by Chiang.

JOHN S. SERVICE

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761.93/3-2345

*Report by the Second Secretary of Embassy in China (Service)*<sup>78</sup>

No. 23

[YENAN,] March 23, 1945.

*Summary:* Although it will be denied, channels do exist and there is almost certainly some contact between the Chinese Communists and Moscow. This is probably through Chinese Communists in Moscow and radio at Yen-an. The Chinese Communists have received no Soviet arms. *End of Summary.*

There is now no travel between the Soviet Union and Yen-an. The last Soviet plane to visit Yen-an was in November, 1942. Planes before that were not oftener than once or twice a year. All came with Chinese Government permission, stopping at Chinese fields in West Kansu and Lanchow, and undergoing thorough search. Their purpose was to serve the small Russian personnel at Yen-an and they were not

<sup>78</sup> Received in the Department about April 27.

permitted to carry non-Russian passengers or cargo other than the personal effects of the passengers. When Chou En-lai went to Russia in late 1939 (for medical work on an injured arm) he went at least as far as Lanchow on a Chinese plane. Chinese inspection at Lanchow of the last Russian plane is said to have taken two days. About a ton of medical supplies was taken off and even most of Dr. Orloff's surgical instruments prevented from coming to Yen-an.

The Kuomintang bogey of Soviet military supplies to the Chinese Communists is definitely dead. It is probably impossible for any planes to fly from bases in Outer Mongolia to North Shensi with any useful cargo except the needed gasoline for the return trip. The North Shensi and North Shansi areas have been thoroughly covered by American observers. There are no usable airfields except that at Yen-an which could be used by such Soviet planes. Finally, in all the extensive contacts of Americans with the Communist armies, there have been found no Russian arms or equipment.

There are at present three Russians in Yen-an.

One of these is a surgeon named Orloff. He says that he is not a member of the regular army but was called up for service about 1938. He was with Soviet forces at Lake Nomanhan and in the Finnish War. In 1942 he was granted 3 years leave of absence and was flown to Yen-an on the last Russian plane in November, 1942. There is no question of his being a bona fide surgeon. He has introduced some new Soviet methods and is kept extremely busy doing surgical work in the Central Hospital at Yen-an.

The other two are representatives of Tass News Agency. They are generally known by the Chinese names of "Kuo Li" and "Sheng P'ing", and appear about 26 and 40, respectively. They have also been here since 1942 and replaced correspondents here before them. They say that they dispatch news only through Chungking and the Chinese censorship. However, they employ Chinese translators and seem to collect a good deal of material. It is difficult to see how such printed material can be sent out except to Chungking through the smuggling channels which the local Communists undoubtedly have. They are stated to have no radio equipment except a receiver. This is confirmed by people who have visited their quarters and by Michael Lindsay, who as radio technical advisor to the Communists knows all local facilities intimately. Whatever the truth of these statements, the Soviet press does not appear to have published news regarding the Chinese Communists which goes beyond that passed by Chungking censors, or printed in American publications.

None of these three men seem to be treated as persons of importance. They spoke no Chinese when they came—and still do not speak it well—and lack all the earmarks of "China experts". They do not



appear to be on terms of close acquaintance with the chief Communist leaders, nor to be given the "face" shown to Okano, the Japanese Communist. In fact, they are seldom seen except at large social occasions, when they are no more than members of the crowd.

Except for a number of White Russian refugees from cities such as Tientsin, most of whom are treated with extreme suspicion as probably Japanese spies, there are apparently no other Russians in this or the other Communist areas.

More important than the Russians in Yen-an may be the Chinese Communists in Moscow. These include the former Chinese representatives to the Comintern, who have been in Russia since the beginning of the war and probably could not return to China if they wanted to. Among them are Li Li-san, at one time leader of the Chinese Communist Party, and a General Chao. These men certainly are in contact with Russian Communist leaders.

Another possible channel of contact is, of course, through the Communist representatives and the Soviet Embassy in Chungking. This contact, however, seems to be limited to avoid arousing Central Government suspicions. I have been told by an official of the Soviet Embassy that they have orders "to stay away from the Chinese Communists in Chungking". The Chungking Communists are nonetheless always invited to anniversary celebrations at the Embassy.

Radio communication between Yen-an and Moscow is certainly possible. The Communist newspaper receives its Tass news directly by monitoring Russian broadcasts. Inasmuch as the Yen-an transmitter can be heard in San Francisco, it is to be assumed that it can also reach Moscow. There is therefore no reason why this radio traffic cannot be two-way.

The first and to my knowledge only instance of what seems to be public admission of such contact is the recent exchange of messages between the Chinese Communist leaders and Stalin on the recent anniversary of Red Army Day. On March 3, 1945, the Communist news agency published the text of Stalin's reply: "Chairman Mao and General Chu: I thank you sincerely for your warm congratulations on the 27th anniversary of Red Army Day. Stalin". It is possible that these messages were sent through the Chinese Government radio and the Soviet Embassy in Chungking. But the Government radio between Chungking and Yen-an is so slow that this does not seem probable.

As long as there can be an exchange of news, it is of course not necessary for there to be much exchange of formal or direct messages. Important Soviet editorials are often reprinted and commented on by the Communist press. These are enough to give at least the Party "line". The same can work in the reverse direction—from Yen-an to Moscow.

In spite of all these possibilities for contact, the Chinese Communists consistently deny that they have any "relations" with the Soviet Government and complain that they know less than anyone else about such subjects as what the Soviet Union is likely to do. The first part of these [*this?*] statement is probably true—I know of nothing to disprove it. What contact does exist is between the two Parties, not Governments. I think it likely that such contact exists.

JOHN S. SERVICE

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740.0011 PW/1-2045

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*

[WASHINGTON,] March 26, 1945.

Reference Chengtu's despatch no. 1 of January 20, 1945.

[Here follows summary of contents of despatch.]

*Comment:* Mr. Service seems to feel that, while the reported understanding represents a threat to force the obtainment of American arms, it is nevertheless a serious threat which might well be carried out. Aside from the room for doubt on this point, there are several reasons to accept the information with reserve. For example, Lung Yun's alleged participation in the understanding is hard to reconcile with recent reports that Chiang has arranged to give him considerable American equipment (unless such arrangements represent an effort by Chiang to bribe Lung into divorcing himself from the understanding).

Despite such weaknesses, the information is significant, for:

1. It points up the increasing gravity of the indubitable fact that Chiang has long forced poorly-equipped provincial troops to do an unfairly large share of his fighting.

2. The fact that dissident leaders tell the American Government, in effect, that Chiang's overthrow is more urgent than their own war effort evidences the increasing bitterness of opposition to Chiang.

3. The revealed intense resentment over failure to share American arms is doubly serious as it may soon be directed against us as much as against Chiang. We have recently heard that the Communists, disappointed over their failure to obtain American aid, are turning their hopes toward the Soviet Union. Our policy of arming only the Central Government thus threatens to alienate from us both the Communists (who appear to be the most dynamic force in east Asia) and all other important non-Kuomintang groups. If opposition to Chiang continues to grow at its present rate, such an alienation would mean that we would soon find the majority of politically conscious Chinese embittered against us for supporting a minority regime which could not maintain itself without our support. It would also set the stage for a head-on collision with Soviet Russia.

893.00/3-2445

*Proposed Memorandum by the Acting Secretary of State to President  
Roosevelt*<sup>79</sup>

WASHINGTON, March 27, 1945.

Subject: Effect of Developments in China on U.S.—U.S.S.R. Relations.

The trend of developments in China is a cause of grave concern to us.

The Russian press has recently become increasingly critical of Chinese Government leadership. The *Red Star* on March 13 accuses the reactionary elements in the Chinese Government of preventing acceptance of the Chinese Communist proposals for creation of democratic government.

A recent official report from Yen-an states that the Communist Party is considering the establishment of a "Federal Council of Democratic Liberated Areas" and that conflicts between the Kuomintang and the Communist forces are widespread. Recent reports from military sources indicate that the Chinese Communist forces north of Shanghai are penetrating into areas along the China coast south of Shanghai.

Efforts to bring about an agreement between the National Government and the Communists are prejudiced by Chiang Kai-shek's statement of March 1<sup>80</sup> that the Kuomintang cannot relinquish its "power of ultimate decision and final responsibility" and that "it definitely cannot abdicate to a loose combination of (political) parties"; and by the Communists' unrestrained criticism of Chiang's statement and their refusal to participate in the Government in any manner subordinate to the Kuomintang.

Chinese political and military unity is important (1) for more effective prosecution of the war, (2) for post-war stability in the Far East, and (3) for avoidance of a source of future friction between the United States and Russia.

Ambassador Hurley has worked unflaggingly to bring about Chinese unity. In his telegram of February 18<sup>81</sup> to the Department, Ambassador Hurley stated that: "Perhaps . . .<sup>82</sup> my visit with the State Department will clarify my mind on the distance I will be able to go

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<sup>79</sup> Drafted on March 24 by the Chief of the Division of Chinese Affairs (Vincent) and the Director and Deputy Director of the Office of Far Eastern Affairs (Ballantine and Stanton) for Acting Secretary Grew to present to President Roosevelt as a follow-up to a conversation Ambassador Hurley was scheduled to have with the President that day regarding the Russian angle to the situation in China. No record of this conversation has been found in Department files; notation on ribbon copy of memorandum: "Not sent". President Roosevelt by March 27 had left for Warm Springs, Georgia.

<sup>80</sup> See telegram No. 343, March 2, from the Chargé in China, p. 254.

<sup>81</sup> Telegram No. 242, p. 223.

<sup>82</sup> Omission indicated in the original memorandum.

in promotion of the war effort by inducing or compelling the unification of Chinese armed forces and a coordination of effort to assist in the defeat of Japan".

The attitude of the U. S. S. R. is a primary factor in determining the distance to which we could go in "inducing or compelling the unification of Chinese armed forces". Russian entrance into the war in the Far East would make the problem acute. At present the U. S. S. R. officially is following a "hands off" policy with regard to Chinese internal policy. The Russian press however, as noted above, is outspoken in its criticism of the Kuomintang and in its support of the Communists.

Measures to "compel" unity would call for a different approach from that hitherto used. We might be able to use some degree of compulsion on Chiang to reach an agreement with the Communists but we have no apparent means of using compulsion to cause the Communists to reach an agreement with Chiang. Any steps we might take to compel Chiang to reach an agreement should be predicated on a clear understanding that the Communists would abide by reasonable terms for cooperation in the Government.

It is desirable that there should be an equally clear understanding that the U. S. S. R. would refrain from courses which would be prejudicial to our effort to bring about unity in China and that it would support our efforts. In view of the very great American interest in China and the Far East it is especially important that there should be such an understanding if a serious source of discord is to be avoided.

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893.00/3-2845 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 28, 1945—9 a. m.

[Received 9:10 a. m.]

523. Soong now asks that Ambassador Hurley be informed that he, Soong, is leaving here April 7 and that if the Ambassador will not reach Chungking by that time he is prepared to meet the latter en route at any place designated by General Hurley.

We do not know the precise reason for Soong's apparent anxiety to meet the Ambassador at this time unless it is that he wishes to learn what plans the Ambassador may have for possible resumption of Kmt-Communist conversations, or Soong hopes to impress his views in the matter upon the Ambassador, or he hopes to get to the White House through the Ambassador's sympathetic explanation of the character of the Generalissimo's response to the President's recent message. (Reurtel 447, March 15, 8 a.m. [p. m.]

ATCHESON

500.CC/3-2945 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 29, 1945—3 p. m.

[Received March 29—2:20 p. m.]

535. Following is a paraphrase of a portion of a telegram received March 28 from Second Secretary John S. Service now at Yen-an, assumably reflecting Communist attitude there:

According to broadcasts from Chungking, Tung Pi-wu is included in delegation appointed by the Chinese Government to attend the San Francisco Conference. The Yen-an Communists have been neither notified nor consulted in this connection. As Tung is old, speaks no English and is of secondary rank, he is the least suitable choice for Communist delegate. No action will be taken until receipt of official notification from Central Government.

2. Wang Shih-chieh informs me privately that he thinks it is doubtful that the Communist authorities will permit Tung Pi-wu to accept appointment as one of the Chinese delegates because the Communists have demanded the appointment of three delegates of their own choice (Chou En-lai, Po Ku and Tung Pi-wu). However, there are others who consider that by appointing Tung Pi-wu the Central Government has placed the Communist Party in a position which practically forces them to approve the appointment or risk criticism abroad that they are unwilling to cooperate with the Government in any field. It seems to be quite widely accepted here that Li Huang<sup>83</sup> is considering not attending the conference unless the Communists are also represented.

ATCHESON

500.CC/3-3045 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 30, 1945—11 a. m.

[Received 12:30 p. m.]

541. Following is a paraphrase of a telegram from Second Secretary Service, now in Yen-an, received in H.Q. US forces, China Theater, on March 30 (ReEmbstel 535, March 29):

Yen-an has received and accepted an official invitation from the Central Government for Tung Pi-wu to attend the Conference at San Francisco, and has requested authorization to take with him three assistants. If this request is granted, his assistants will probably be

<sup>83</sup> Leader of the Chinese minority political party, member of the People's Political Council, and appointed member of the Chinese delegation to the San Francisco Conference.

Chen Chia-kang (Secretary to Gen. Chou En-lai), a staff officer of the 18th Group Army, and the editor of the *Hsin Hua Jih Pao*. One of these men speaks Russian and the other two English. The Communists are now giving consideration to asking the Central Government to authorize the inclusion in the Chinese delegation of Chou. Although they anticipate a refusal, they feel that their position will be strengthened as they will have better grounds for protest over the inadequacy of the Communist representation.

In inviting Tung to attend the conference, Chungking has patently caused confusion in Yen-an. Because of necessity for the return of military and other leaders to their respective areas, Communist Congress is to meet in April. As long as the Communists are participating at the conference, it is thought that no action will be taken toward the establishment of the federation of Communist governments.

Yen-an anticipates that the Chinese Government delegation will prevent Tung from expressing his opinion to the conference or to the public. Therefore the efforts of the Communists at San Francisco will be directed toward informal contacts with the press and with other delegations.

ATCHESON

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893.00/3-2845 : Telegram

*The Secretary of State to the Chargé in China (Atcheson)*

WASHINGTON, March 30, 1945—7 p. m.

520. Following message from Ambassador Hurley for Atcheson: Please inform Soong that my departure from Washington has been delayed but that I will be happy to meet him en route (ReEmbs 523, March 28, 9 a. m.) and suggest Cairo on or shortly after April 9. Advise me at once if there is any change in Soong's plans.

For your information only, I expect to stop over in London for several days and to proceed from Cairo to Moscow for a short visit before returning to Chungking. [Hurley.]

STETTINIUS

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123 Hurley, Patrick J. : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Harriman)*

WASHINGTON, May [March] 31, 1945—4 p. m.

758. Following message from Ambassador Hurley to Ambassador Harriman. With the approval of the White House and the State

Department, I am contemplating visiting Moscow if you perceive no objection. My purpose is to discuss the Chinese situation with you and the Foreign Office. My itinerary is not yet completed but I could arrive in Moscow about the middle of April. Will advise you later by ETA. With kind regards. [Hurley.]

GREW

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893.00/3-3145

*The Ambassador in the Soviet Union (Harriman) to the  
Secretary of State*

No. 1591

Moscow, March 31, 1945.

[Received April 23.]

SIR: The Ambassador has the honor to enclose an English language summary<sup>84</sup> of a lecture by V. Avarin delivered on March 14, 1945 at Moscow and entitled, "The Struggle of the Chinese People for Their National Independence." Avarin is a writer, believed to be specializing in Far Eastern affairs.

Avarin's comments, while introducing no new element into the pattern of the Russian attitude to China, constituted an authoritative and up-to-date statement of the Soviet position. He condemned "reactionary elements" among the ruling circles, discussed the weakness of the Chinese Army and lauded the 18th Group Army and partisans. The popular demand for democracy, Avarin claimed, had assumed great proportions in China. He clearly implied that the Chinese Government was not representative of nor responsive to the popular will. The breakdown of Government-Communist negotiations was briefly referred to.

The role of the United States in China received comparatively sympathetic treatment from the speaker. He stated that one of the reasons for the recall of General Stilwell was that the Chinese Government was loath to accept the General's recommendations for a more effective alignment of Chinese military forces and that Stilwell's recall was instigated by "reactionary" Chinese elements. Avarin pointed out that it would be an error to assume that the Stilwell recall signified a departure from the American policy of attempting to promote Chinese national unity. Ambassador Hurley's visit to Yen-an and his "mediation" in the Government-Communist negotiations were referred to as evidence of continuing American interest in Chinese unity.

Asked what the prospects were for the establishment of a genuinely democratic government in China, Avarin observed that they depended

<sup>84</sup> Not printed.

upon the influence of the "reactionary" elements in the Kuomintang and ruling circles. If the Chinese people succeeded in eliminating these forces, the speaker stated, and the progressive elements of the *bourgeoisie* and ruling classes gained enough influence, a united democratic government might be established.

In response to a question regarding the Soviet attitude toward China, Avarin remarked that the Soviet Government's policy was based on the Leninist-Stalinist principles of the equality of all peoples. He added that the Soviet people were warmly sympathetic to the Chinese people and their struggle for national liberation and desired to help them in their aspirations.

*Comment.*

It is perhaps significant that Avarin's criticism, following the general present line, is directed at the "reactionary" elements in the Chinese Government and the Kuomintang and not against the Government or the Party as a whole. This may indicate that if the Soviet Union has decided on an anti-Chungking and anti-Kuomintang policy, it is not prepared at this juncture to reveal it; or that the Kremlin reckons that the situation in China is still sufficiently fluid to warrant hope for the emergence in China of a "reformed" regime (presumably including the Communists) congenial to the Soviet Union. Supporting the second interpretation is the answer Avarin gave to the question regarding prospects for a genuinely democratic government. If this interpretation is correct, the Kremlin certainly will have no desire, so long as it believes the situation in China remains fluid, to condemn wholesale either the Kuomintang or the present Chinese Government.

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893.00/4-145

*Report by the Second Secretary of Embassy in China (Service)*<sup>85</sup>

No. 26

[YENAN,] April 1, 1945.

Attached is a memorandum of a conversation on this date with a group of Communist leaders: Mao Tse-tung, Chairman of the Central Committee; Chou En-lai, second ranking political leader and functioning "Foreign Minister"; and Chu Teh, Commander in Chief of the Communist armies. Tung Pi-wu, the Communist member of the Chinese delegation to San Francisco, joined the group near the end of the talk.

General Chou had been informed the evening before of my receipt of orders to return to Chungking. This talk, which lasted for half the afternoon and through supper, was obviously intended to give me

<sup>85</sup> Received in the Department about April 27.



an up-to-date statement of the Communist position and the line to be taken at the imminent Communist Party Congress.

*Summary:* The Communist policy toward the United States is and will remain one of extending cooperation regardless of American action. It must be this because: (1) anything that the Communists can do to assist the American forces will help win the war; and (2) China needs American help after the war. The Communist policy toward the Kuomintang will remain: (1) On one hand, criticism to urge the Kuomintang toward more progressive policies; and (2) the offering of compromise based on the Communist 5 points leading to a true coalition government and genuine democracy. The decision to establish a "Chinese People's Liberation Union" has been made, but actual formation will not be for several months. This Union will not be a "government" but a consultative body representing the people of the liberated areas (now unrecognized by the Central Government) to discuss common problems, plan joint steps for prosecution of the war, organize resistance in the occupied areas, and stimulate the rest of China to a more active war effort. The Communists will refuse to recognize a National Congress called before the end of the war and they will refuse to accept representation in such a Congress, insisting that the delegates must be freely chosen by all the people. *End of Summary.*

Three points are new and worth notice.

1. The niggardly representation granted the Communists at San Francisco has not changed their decision to create their "union". They are going ahead.

2. The proposed name of the body—"Chinese People's Liberation Union"—has possible significance which the Kuomintang and people of China will not miss. It is not a union of the Liberated Area governments, but rather may be interpreted as a union for the liberation of the Chinese people. The implied threat is clear.

3. Mao was vague regarding the date proposed for organizing the union. But Chou's secretary later said privately that if the Kuomintang persisted in convening its National Congress the conference setting up the Liberation Union would be held simultaneously.

JOHN S. SERVICE

[Annex]

*Memorandum of Conversation, by the Second Secretary of Embassy in China (Service)*

[YENAN,] April 1, 1945.

I was invited to Mao Tse-tung's residence at 4 p. m. Chou En-lai and Chu Teh were already there. There was about half an hour of general conversation.

All showed interest in the reason for my return to Chungking, particularly whether it might be for return to the United States—which presumably might indicate consultation regarding China. (I had received no indication of the reason for my return.)

Mao repeated previous hopes that American political observation and contact with Yen-an would be maintained. He expressed that the developments in China during the coming months would be important and that the Communists hoped for American understanding from on the spot contact.

Chou twice made pointed remarks to the effect that it was unfortunate that I could not stay in Yen-an another ten days; that I would find the stay worthwhile and interesting. (I took this to be a hint that the Party Congress is to be convened within that time.)

I touched on the military situation. Chu did not consider that the Japanese had yet shown definite signs of intention to take either Sian or Hanchung but believed that they will eventually take both cities in order to push back American airpower and protect their flank and vital communications for the long fight which (the Communists are sure) the Japanese are planning to wage in China.

I recalled that when the Japanese campaign in Honan last year seemed to develop into a threat against Sian, the Communists offered to send troops to join in its defence. There was some looking from one to the other. Finally Chu said that the Communist offer last year had been refused and that the Communists would wait this time to be asked. He did not seem to care to pursue the matter.

Mao then took control of the conversation. He was in exceptionally good spirits—getting out of his chair to act out dramatic embellishments of his talk, and diverging to recall amusing anecdotes. Chou occasionally explained or amplified Mao's points. Chu sat back, silent and smiling.

Mao skimmed over the history of the recent fruitless negotiations with the Kuomintang. He felt that foreigners in general did not yet understand that the Kuomintang-Communist issue was far more than the usual bickering and jockeying between two ordinary political parties. The issues here were basic and vital to China's future.

He proceeded to devote some time to discussion of recent articles in the *Economist* and *New York Herald Tribune*, questioning whether they were typical of the lack of understanding of foreign opinion.

The *Economist* had suggested that Chiang's announcement of the National Congress in November was a clever stroke because it "stole the Communists' thunder", and that the Communists would make a great mistake if they did not join. Mao pointed out that the Communists could not join if [it?] even if they wished; that it was a strictly one-party assembly whose members were fictitiously elected 9 years ago (since when many have become puppets) at a time of open civil war by the Kuomintang against the Communists; that almost two-thirds of the people of China (Japanese occupied and Communist liberated areas) would not be represented; and that no real

democracy could be expected under these conditions from a party which since Chiang's counter-revolution in 1927 had been repressive and anti-democratic. He vigorously insisted that for the Communists to agree to the calling of such a false Congress would be to desert all their principles and betray the people of the liberated areas. It would therefore be a great mistake. (Much of what Mao said in this connection was repetition of his remarks in our conversation of March 13, 1945—see my report no. 10 of that date.)

The *Herald Tribune* had said that the Communists had "increased their demands" and become "more unreasonable" because of Soviet victories and the attention of Americans in, for instance, the despatch of the Observer Section to Yen-an. At great length, Mao argued the consistency and unchanging character of Communist policy; how even in the civil war days the Communists were calling for union on the basis of nation-wide resistance against Japan, the granting of democratic rights, and the full mobilization of the people; how the United Front had finally been created in 1936-7 when these promises were given by the Kuomintang; how the Communists had repeatedly during the war found it necessary to demand the observance of these principles as essential to the unification of the country and successful prosecution of the war. (Interesting confirmation of the validity of this argument can be found by referring to Edgar Snow's *Red Star Over China* in which he records talks with Mao in 1936. The similarity of Communist objectives then and now is striking.)

As for the effects of Soviet victories and American attention, Mao humorously recalled the civil war when the slogan was "Kill Chiang Kai-shek", the violent recrimination after the New 4th Army Incident (January, 1941) when the Communists openly defied the Central Government, and the belligerence created when the Central Government threatened the Border Region with military force in the summer of 1943. All of these, he pointed out, were instances of a much stronger Communist attitude toward Chiang than at present, and all were before Soviet victories and American attention.

Repeating the unchangeableness of Communist objectives, Mao emphasized that the Communists had fought for them when weak, few in numbers and entirely alone, and that they would continue to work toward those objectives regardless of outside influence, for or against.

In one sense, Mao admitted, the Kuomintang's complaints are justified. "Our objectives are unchanged but our voice gets louder as the situation in China becomes more desperate and more urgent and as more and more of the people see that we are right. Such complaints by the Kuomintang show that it is feeling the pressure. Delay, however, will not help it."

Mao then proposed to give a brief statement of Communist policies toward the United States and toward the Kuomintang, from which it could be seen that they were as consistent and unchanging as the Communist main objectives.

Communist policy toward the United States is, and will remain, to seek friendly American support of democracy in China and cooperation in fighting Japan. But regardless of American action, whether or not they receive a single gun or bullet, the Communists will continue to offer and practise cooperation in any manner possible to them. Anything they can do—such as intelligence, weather reporting and rescue of airman—the Communists consider an obligation and duty because it helps the Allied war effort and brings closer the defeat of Japan. If Americans land in or enter Communist territory, they will find an army and people thoroughly organized and eager to fight the enemy.

The Communists will continue to seek American friendship and understanding because it will be needed by China in the post-war period of reconstruction. (For amplification of this argument, please refer to Mao's talk on March 13 reported in my despatch no. 10.)

Whether or not America extends cooperation to the Communists is, of course, a matter for only America to decide. But the Communists see only advantages for the United States—in winning the war as rapidly as possible, in helping the cause of unity and democracy in China, in promoting healthy economic development of China through industrialization based on solution of the agrarian problem, and in winning the undying friendship of the overwhelming majority of China's people, the peasants and liberals.

Communist policy toward the Kuomintang will remain on one hand to criticize and try to stimulate progressive reform; and on the other, to offer compromise which can be a basis for real unity, democracy and devotion of the forces of all the country to winning the war. The gist of this compromise is contained in the Five Points proposed by the Communists and endorsed by Ambassador Hurley. The compromise must mean the termination of the dictatorship of the Kuomintang and Chiang Kai-shek. If Chiang continues as President, he and the military forces must be responsible to a coalition government including all parties. The compromise must include recognition of the Communist armies, as part of the National Army, and of the liberated areas as legitimate local governments.

This compromise and the coalition government which must be its result will of course be temporary. It cannot be perfectly democratic because, with much of the country behind enemy lines or under enemy occupation, it cannot be completely representative. (Mao divided China as follows: Chungking areas 190 million, Japanese

areas 160 million, Communist areas 100 million.) It will be the best possible government under the existing circumstances and until it can carry out the transition to full democracy after all of the country has been recovered.

The Communists do not insist on outright and immediate agreement by Chiang to a coalition government. They are willing to discuss the matter and work out details in an inter-party conference. But such a conference of parties must have authority and be able to make decisions that will control the government and prepare for the transition to constitutionalism.

The crux of the problem is that the Kuomintang will not accept any limitation of its dictatorship and therefore cannot convene a conference that has authority. Chiang has therefore discarded the proposal of an inter-party conference in favor of his National Congress.

The calling of the National Congress before the end of the war, before the legalization of all parties, and before the election of new delegates by all the people must be opposed uncompromisingly.

Communist opposition will be to refuse to recognize the Congress or accept its orders. This is the logical course because the people of the liberated areas will not be represented. Then the next move will be up to Chiang. "We will not strike the first blow. We will not fire the first shot."

"But the Congress as now planned will certainly bring civil war. It will be the excuse for Chiang to have the opposition declared rebels. If he is going to continue his bluff, he will (because it is the only means he knows and understands) try to use force. When attacked we will fight back. We are not afraid of the outcome because the people are with us. The Japanese haven't been able to wipe out the liberated areas. How can Chiang's conscript, unindoctrinated army of unwilling peasants? Chiang could not whip us during the civil war when we were a hundred times weaker. What chance has he now? We are not worried about Chiang's American arms, because a conscript peasant army will not use them effectively against their brother conscripts fighting for their homes and economic and political democracy. What we are worried about is the cost to China in suffering and loss of life, in destruction of property, in the delay in rebuilding of the country. China needs peace. But she needs democracy more, because it is fundamental to peace. And first she must drive out the Japanese. We think America, too, should be concerned, because her own interests are involved."

I asked what the Communists would do if the Kuomintang asked them to participate in the National Congress by assigning them a number of seats. Chou immediately and emphatically replied that

they would refuse. Mao indicated agreement and Chu nodded. Chou amplified as follows. Communist participation in the San Francisco delegation cannot be taken as precedent. Nor can Communist proposals for a coalition government or inter-party conference. They are arrangements between Parties because it is impractical to have the people elect their representatives. But a National Congress to pass a permanent Constitution and set up a fixed form of Constitutional Government is something entirely different. The membership of the Congress must be elected freely by the people, not bargained for or appointed by political parties.

Mao resumed. At present the liberated areas are not recognized by Chungking. They receive no guidance, help or military supplies although they are bitterly fighting the enemy in the occupied territory. "They are children without a mother". They face many common problems. They should work and plan together for the most effective prosecution of the war. The Communists are therefore proposing that the various areas send representatives to join in forming a "Chinese People's Liberation Union" (Chung-kuo Jen-min Chieh-Fang Lien-Ho Wei-Yuan-Hui). The purposes of this body will be: to unify the war effort of the people of the liberated areas, discuss common problems, and make joint plans of action for the most effective defeat of the enemy; to stimulate and organize resistance against the Japanese in the occupied areas; and to encourage the people and Government in the rest of China to greater efforts in active prosecution of the war.

Mao said with emphasis that this Union would not be a "government" and that "it would be a mistake to consider it one". It will not have the powers or functions of a government, being merely consultative.

Mao avoided being specific regarding the form of organization of the Union, saying that these details could be worked out later. He also cautioned that neither the definite decision to form the Union, nor its exact name, had yet been formally passed by the Communist Party. "But", he said with a slight smile, "they probably will be." (This is not as undemocratic as it sounds. All the delegates to the Party Congress have been assembled in Yen-an for some time and important meetings and consultations have been proceeding continuously. It is certain that agreement on all important matters have already been reached. The actual meeting of the Congress, therefore, may be little more than the formal presentation and acceptance of reports, the election of new Committees, and the passing of already agreed upon resolutions.)

To my question of how soon the Union would be formed, Mao replied that it would not be for several months. It would take that long for representatives to arrive from the more distant areas.

I asked how the delegates to form the Union would be selected. Mao suggested tentatively that the Peoples Political Councils of each liberated area would send representatives. He pointed out that these councils were democratically elected by universal suffrage and represented all classes and parties.

To my question whether groups other than those in the liberated and possibly occupied areas would be included, Mao replied that participation would be open to all groups who wished to join. This, of course, would include any groups in Kuomintang China. But he did not see, under present conditions of certain Kuomintang disapproval, how they could participate directly. "Places", he said, "would be saved".

Mao emphasized that all groups in the liberated areas, and if possible in occupied areas, would be represented and that the Union would have a thoroughly United Front character.

I asked whether the proposal for the Union would be dropped if the Kuomintang agreed to a coalition government. The question was not directly answered. Mao said that: "There are coalition governments and coalition governments." If there was an ideal coalition government, it might be assumed that the Union would be unnecessary because the coalition government would take the liberated areas under its wing and do all possible to help the people of China win their liberation.

J[OHN] S[TEWART] S[ERVICE]

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893.00/4-245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 2, 1945—1 p. m.

[Received April 2—8:31 a. m.]

558. For Ambassador Hurley. Soong is very pleased at the prospect of seeing you and states that he is arranging (ReDept's 520, March 30, 7 p. m.) to meet you at Cairo on or shortly after April 9.

ATCHESON

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893.00/4-245

*Transcript of Press and Radio News Conference by the Ambassador in China (Hurley)*<sup>86</sup>

[WASHINGTON,] April 2, 1945.

AMBASSADOR HURLEY: Well, I am happy to meet the press in Washington. While I have spoken to the Overseas Club and the Press Club

<sup>86</sup> Notation on the original: "Not for the Press. For Departmental use only".

several times off the record, this is the first time in about three years that I have spoken to the press for publication; that is, for publication in so far as the Press Section of the State Department will let it go through because I have not conferred with them about what I am saying and they might find something objectionable, or other parts of the country.

In the first place, I would like to begin by saying to the press that my overall impression in China is that China is very friendly to the United States. The Chinese are grateful to America for all the assistance that we have given them. After eight years of war, the Chinese are tired, bruised and bleeding but in my opinion, China will fight on to a victorious finish.

The second subject that I would like to speak to you about is the efforts in which we have participated for the unification of the military forces in China. We have endeavored to use what influence we possess to point the way toward a unification of military forces that would enable China to bring the full military power of China to the task of defeating Japan. There has been some progress along those lines. We still expect more favorable results. It must be apparent to everyone familiar with the Chinese scene that there can be no political unification in China as long as there are armed political parties and war lords who are still strong enough to defy the national government. In saying this, I would like to add that in my opinion, the military strength of the armed political parties and the war lords has been overestimated in the United States. The strongest military force in China, stronger than all the war lords and armed political parties is still the national government of China. The Chinese military establishment, the American military establishment, the Chinese National Government and the American Embassy at Chungking are now all one team with one objective—the defeat of Japan. The Americans and the Chinese are cooperating excellently.

Someone has asked me about the character and the aspirations of Chiang Kai-shek. My impression is that during China's long war against Japan, Chiang Kai-shek has exercised all the power available to him. Notwithstanding this, he is not fascist-minded. His ambition is to relinquish all the power he possesses to a government of the people, for the people, of the people, by the people and for the people. He is at the present time taking steps to formulate a foundation for a government based on democratic principles in China. He considers the establishment of a democratic government in China the real objective of his career. I think now that I had better discontinue and let you gentlemen ask me any questions you may decide.

Q. Mr. Ambassador, you spoke about the force of the war lords. What war lords or factions did you have in mind?



A. Well, I have in mind—you mean armed party not armed factions?

Q. Yes.

A. I mean Communists and some of the war lords in the southern part of China.

Q. You said, Sir, that the strength of some of these smaller groups had been overestimated in that country. Could you yourself give us any estimate of the Chinese Communist forces?

A. I think it would be improper for me at this time to attempt to give an estimate of the military strength of the Communist Party. That might be more properly given by the military authorities.

Q. Referring to the war lords, General, did you observe any war lords supporting Chiang Kai-shek?

A. Yes, the war lord who had control of the forces in the vicinity of Kunming has, I understand, recently subscribed allegiance, possibly not to Chiang Kai-shek, but to the Nationalist Government of China.

Q. Mr. Ambassador, some weeks ago, I remember a dispatch appearing in the *New York Times* from Chungking, I believe, or some other place in China, which said that the Chinese Communists were asking the United States to let them have some of the captured arms—arms captured from the Japanese, now in American possession so that they could do a better job of fighting the Japanese. Sir, I wonder if you can either confirm that report of that request, or indicate the attitude of this Government toward that request, or both?

A. Well, of course I could not affirm or deny the press report. I don't know what it is based upon. I do not know that the Communist Party has requested that the United States furnish arms to it as a political party. It has been my opinion and I have so stated that the furnishing of arms to an armed political party would be equivalent to the recognition of a belligerent. We—this nation, as you know, has recognized the National Government of China as the government of China and we have steadfastly supported economically, militarily and politically the National Government of China since Secretary Cordell Hull wrote his note of, I believe it was November 26, 1941,<sup>87</sup> a few days before the attack at Pearl Harbor, to the Japanese national representatives. That policy, in my opinion, has been upheld in our mutual aid pact with the Chinese Government and in various other expressions of policies of the State Department, so that we do recognize the National Government of China and not any armed war lords or armed political parties in China.

Q. Mr. Ambassador, can you say anything about your view of the role, if any, played by Moscow in that relationship to the Communist and Chungking government?

<sup>87</sup> *Foreign Relations*, Japan, 1931-1941, vol. II, pp. 766 and 768.

A. Well, on that subject, I would prefer to let the Soviet Government speak for itself, although I would say this: that in my conferences in Moscow, the attitude of Russia toward China has been universally fair. Russia has expressed the desire for closer and more harmonious relations with China. I would rather not go into the details concerning the Communist Party in China. You gentlemen should know though—I believe you all do know, that it is a matter of common knowledge that the Communist Party of China supports the principles of Dr. Sun Yat-Sen. That was generally referred to as the three people's principles of China. The three principles are government of the people, by the people and for the people. All the demands that the Communist Party has been making have been on a democratic basis. That has led to the statement that the Communist Party in China are not, in fact real Communists. The Communist Party of China is supporting exactly the same principles as those promulgated by the National Government of China and conceded to be objectives also of the National Government.

Q. Sir, I am not sure that I understood that last sentence. You said the Communist Party is supporting the same principles as the National Government of China.

A. Yes.

Q. Could you tell us what is the divergence between them? How do they differ?

A. Well, as a matter of fact, the divergence between the parties in China seems to be not in the objective desired because they both assert that they are for the establishment of a government in China that will decentralize authority and conduct itself along democratic lines, employing democratic processes. The divergence between them is the procedure by which they can be achieved. To go a little further, the Communist Party would like for the National Government to inaugurate certain reforms immediately and to do this, they have suggested a bipartisan coalition government. The National Government, that is, the Kuomintang Party, has stated that it has a program outlined by the liberator of China, Dr. Sun Yat-sen whereby the authority of the government of China is to be returned to the people of China under a constitution and not to an aggregation of political parties. The National Government of China contends that it is now in the process of a meeting being held on the 5th of next month, a program whereby it will return control of the government to the people. The National Government claims that it would not be justified in turning over the authority of government to any organizations or political parties, or any coalition of politicians but that it is the attitude of the National Government to return the control of China to the people and let the people select their own leaders.

Q. General, what is the real difference between the Chinese Communists in China and the Communists in America, Britain and elsewhere?

A. Well, I know the difference between the Republicans and Democrats in Oklahoma but you are getting too deep for me when you are trying to make me outline the difference between foreign political parties. I do have opinions on that subject but I don't believe that that is a debate I wish to enter into.

Q. Sir, can you say something of the kind of favorable development in the future which you anticipate?

A. Well, I don't mind telling you that. You will recall that we, ourselves, had a number of conflicts between our military establishment and the Chinese military establishment. These have been eliminated. We had ourselves a number of conflicts concerning certain members of the Chinese Cabinet. These have been eliminated. New persons have been appointed to important Cabinet posts. Now, the results we expect will come when the Chinese National Government will recognize all of the political parties. For instance, by appointing members from the different parties as delegates to something like the San Francisco Conference. Those are the developments that we are looking for. We believe that the armed parties in China are coming close together and that all of them realize that there can not emerge from this war a free, strong, united, democratic China as long as there are armed forces other than the government which are strong enough to defy the government. I say I believe these facts are recognized now and while I would not want you gentlemen to go away with the idea that I have any Utopian plans because from my childhood until the present time, I have had to be a realist and I am expecting men to operate according to the characteristics of human beings. Consequently, I don't expect a Utopia in China overnight any more than you gentlemen expect one in any other part of the world. This is a serious situation but China is working toward a unification of the military forces of China for the purpose of defeating Japan and the unification of the military forces will assist in the political unification of China.

Q. General, I think a few days ago there was a dispatch from Chungking that a Communist had been appointed to the San Francisco delegation. Do you think that the appointment of a Communist satisfies the government of Yunan [*Yenan*]?

A. The answer to that would be, in a measure. It is a recognition of the Communist Party of China by the National Government. The Communist Party of China would, no doubt, desire more than one representative and possibly several assistants. Now, on that, just remember that while the Republican Party in the United States is

very well satisfied with its representatives to the San Francisco Conference, usually we have not been very well satisfied with anything that the Democratic Party has done and you find that is true in China. The Communist Party will not concede that the Kuomintang Party is right, completely right about anything but I do say that is a step in the right direction and it is an indication that there is a possibility of unification of the armed forces of China, as well as political unification of the objectives of China.

Q. Mr. Ambassador, assuming that that unification could take place before the 25th of April, do you think it is to be expected there may be some difficulties in accomplishing a working arrangement during that conference between the Soviet and Chinese delegations with them participating, in view of the fact that it was not possible last summer to arrange it on the basis of the Dumbarton Oaks Conference?

A. Now, Leon, getting over on the Dumbarton Oaks Conference, you see I am not in that league yet. I am still in the bush league but about differences between the Chinese political parties, I would answer, yes, there will be about as many differences between them as there will be between the various delegations at San Francisco. I don't expect complete harmony any place and it is wrong for us to expect more out of China than we do from other parts of the world. I might add this: that there was a time when China was praised inordinately in this nation. Everybody said very wonderful things about China. There then came a time when everybody condemned everything in China. I think that neither of those attitudes is correct. It is someplace in between the two of them.

Q. Is this Communist delegate who has been appointed to the Chinese delegation really a Communist as far as you know?

A. I think he is. I do know that he was their representative at Chungking and that he is now in Yunan [*Yenan*] and I have had many conferences with him. Now, to say whether he is a real Communist as you understand Communism, I would not say that. I don't know because there is a question whether any of the Chinese Communists are real Communists, but I do say this: that he does belong to the Communist Party and does cooperate with and serve that Party. Now, to determine what is the degree of Communism and what kind of Communism it is, I could not give you a definition of that.

Q. Mr. Ambassador, before we leave, would you mind answering a personal question? Do you expect to be at San Francisco?

A. The answer to that is off the record—this is personal, no. I think possibly you will find that the Ambassadors of the various nations will be at their posts while this is going on because there might be some work they have to do.

120.1/12-745

*The Chief of the Division of Chinese Affairs (Vincent) to the Ambassador in China (Hurley), Temporarily in the United States*

WASHINGTON, April 2, 1945.

DEAR GENERAL: There is attached a digest<sup>88</sup> made by Julian Friedman<sup>89</sup> of the various Communist-Kuomintang proposals beginning with the Communists' five points. They may prove useful to you in your forthcoming conversations.

Today in our talk about Russia there was some mention of the old adage about not putting all your cards on the table. Sometimes I think as democrats—not gamblers—we carry this poker analogy a little too far in our thinking on diplomatic negotiations. The analogy may have been all right in the days when diplomats reported only to kings and kings reported only to God but in a democracy when the body politic is putting up the stakes and wants to know the size and color of the hole card it is not so easy. The other day you said that you were moving more and more toward a belief in the Wilsonian doctrine of “open covenants openly arrived at”—and I think you are moving in the right direction (I don't think you had far to move!).

The pertinency of these comments to your conversations in Moscow is this: I believe we have the Russians cold with the cards we have showing; all we have to do is shove them out in the middle of the table; we do not have to worry about the hole card (whatever it is).

Owen Lattimore,<sup>90</sup> in his book, *Solution in Asia*, says: “The question is not what Russia is going to do, but what we are going to do. Russia will act only when we have sufficiently revealed the direction in which we are going, and she will be able to act with equal decisiveness whether we show that we are moving by choice or merely by drift.”

I believe if we assert firmly and with conviction the policy we intend to follow in China we have a good betting chance of gaining Russian agreement.

We want Chinese military unity now for more effective prosecution of the war against Japan; and we want China united territorially and politically in the post-war period so that she can in cooperation with us and the Russians make her contribution toward security and well-being in the Far East. The Russians can understand this; and they can understand the obverse: disunity in China will surely lead to dissension and threaten conflict among the Pacific Powers.

What I have said above and shall say below is not advice—it is

<sup>88</sup> Not found in Department files.

<sup>89</sup> Of the Division of Chinese Affairs.

<sup>90</sup> Director of the Walter Hines Page School of International Relations at Johns Hopkins University.

not even new to you; it is simply my thinking on the problem of conversations in Moscow.

The Russians no doubt are fully informed of every step in the Communist-Kuomintang negotiations. They know not only of the original Communist five points but they also know that you approved those points. It might therefore be well to state frankly that we desire to obtain from Chiang agreement to those points unmodified in principle and as little modified as possible in detail.

Chiang, as you have said, does not move until he is forced to do so. His prejudice against the Communists is deep-seated and any concessions he makes will be on the basis of expediency—not conviction. The task therefore is to convince him of the expediency of agreement with the Communists without endeavoring to “convert” him. Your argument is good that military unity is worth any degree of political concession. As a corollary to that argument I think it well to point out to him our belief that lacking political unity, an attempt at military unity by force of arms may prove disastrous and will certainly receive no support from us.

I am in agreement with your belief—directive—that Chiang’s leadership should be supported and the National Government prevented from collapse—but I have been somewhat concerned over the use Chiang can make of his knowledge of this situation. I was therefore encouraged by your comment to the President (you told me of it) that Chiang might think you were going to create an “international incident” (the President had said he was not afraid of your creating such an incident) before you got through with him. Chiang will yield only to firm and consistent pressure—but he will yield—and he and his Government will not collapse in the yielding.

The Communists also require firm and consistent pressure. We have no apparent means of exerting such pressure effectively. The Russians do, if not directly, by indirection. Articles such as that appearing recently in the *Red Star* (copy of telegraphic report attached <sup>91</sup>) are illustrative of indirect pressure—in this case on the Kuomintang. I would call this article to the attention of the Russians, not to argue with its statements but to point out that it has calculated influence and that subsequent articles might be so directed as to serve a very useful purpose in furthering your efforts to bring about unity in China along lines beneficial to Russia as well as to us all. It is useless to bring Chiang around to “coalition” if you can’t count on the Communists and you can’t count on the Communists unless you can count on Russia. There may be other ways, more direct than press comment, in which Russia can implement its professed desire for unity in China and good relations with China. The conversations will

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<sup>91</sup> Not found in Department files.

probably make it apparent to you how far you can go in making suggestions.

As I told you today, I still believe, in spite of the reports on Rumania and Poland, that we can reach an understanding with Russia in regard to China on which we can rely. To reach such an understanding, it is essential that we make clear our interests, that our interests be real—not theoretical or sentimental, and that Russia be convinced of our determination to support our interests fully but not in a manner antagonistic to Russia.

I believe you can make this clear in Moscow. Good luck.

J[OHNS] C[ARTER] V[INCENT]

893.00/4-545

*The Chargé in China (Acheson) to the Secretary of State*

No. 279

CHUNGKING, April 5, 1945

[Received April 17.]

Subject: Vicissitudes of Marshal Li Chi-shen.

SIR: I have the honor to refer to the Department's third person instruction of February 26, 1945,<sup>92</sup> commenting, *inter alia*, on the Embassy's despatch no. 9 of December 15, 1944,<sup>93</sup> on the subject: "Conditions in Southeast China Since Its Isolation by the Japanese". The Department stated that the future activities of the potential separatist groups in this area would be watched with interest.

There is now enclosed a copy of despatch no. 5, dated March 23, 1945,<sup>93</sup> from Mr. Richard M. Service, Embassy Attaché on detail at Chengtu, entitled: "Vicissitudes of Marshal Li Chi-shen", which contains further information on this subject. The despatch reports the alleged assassination of General Chang Yen, former Chief of Staff of General Tsai Ting-kai, and now a close associate of General Tsai and Marshal Li in their efforts to set up an autonomous regime in the Kwangtung-Kwangsi border region.

According to a Chinese informant of the Embassy who was formerly a co-worker with Dr. Liang Shu-ming in the latter's rural reconstruction activities in Shantung, General Chang Yen was not assassinated, as reported in Mr. Service's despatch. It appears that General Chang, while on a tour of southeast Kwangsi to stimulate interest in the Li Chi-shen movement and to recruit local militia groups, was taken into custody on the orders of General Teng Lung-kwang, a "blood brother" and the chief military subordinate of General Li Han-hun, the Chairman of the Kwangtung Provincial Government.

<sup>92</sup> Not found in Department files.

<sup>93</sup> Not printed.

General Chang was taken to Poseh, the present temporary capital of Kwangsi, where General Li accused him of being a Communist and demanded that he be executed. He was saved only by intervention of General Chang Fa-kwei who last month made a special trip to Chungking to see the Generalissimo on behalf of his friend and former associate.

The Embassy's informant stated that in January, 1945, the Generalissimo again asked Marshal Li to come to Chungking in the interests of the war effort, but that the Marshal ignored the Generalissimo's request and again wired him and General Pai Chung-hsi, stating that he and his associates had established a base on the Kwangtung-Kwangsi border and that they were devoting themselves to the promotion of democratic self-government and the reestablishment of a people's militia. He is quoted to have said that it was only through working with the people and respecting their wishes that China could be saved. The Embassy's informant acknowledged that the basic weakness of the Marshal Li movement was a lack of funds. He said that while there was plenty to eat there was no available money with which to purchase or manufacture arms and munitions and that given adequate financial backing it would be a simple matter to raise a sizeable army. The informant said that in January Marshal Li sent a message to the Communist forces operating in the Bias Bay area suggesting cooperation, but that he has so far received no indication whether or not this overture was favorably received by the Communists.

It would seem that in ravaging southeast China the Japanese have effectively, and perhaps deliberately, crushed an incipient popular rebellion against the authority of the Central Government.<sup>94</sup>

Respectfully yours,

GEORGE ATCHESON, JR.

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893.00/4-945 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 9, 1945—3 p. m.

[Received April 9—10 a. m.]

600. Chinese press comment on Ambassador Hurley's press conference of April 2.<sup>95</sup> The controlled press universally and unstintedly

<sup>94</sup> In a memorandum of May 8 the Assistant Chief of the Division of Chinese Affairs (Chase) observed: "Chungking's despatch 279, April 5, 1945, and its enclosure from Chengtu indicate that Li Chi-shen's attempt to build a local popular anti-Japanese government (on Communist lines) is collapsing through lack of funds and the failure of other 'democratic' elements to help Li with anything more substantial than sympathy."

<sup>95</sup> See transcript of press and radio news conference by the Ambassador in China, p. 317.



praised General Hurley for the "most candid and just appraisal of Chinese internal political problems ever made by a foreign official". The Kuomintang-Communist problem is not one of democracy but rather a basic problem of national union or disunion. Although the Ambassador has been in China for only a short period, he has an extraordinary insight into the Communist problem. There are those Chinese and foreigners who sympathize with the stand of the Communist Party, but no one other than Communist Party members can express sympathy for the use of force by the Communist Party (*China Times*). Foreign relations are subject to negotiation by the National Government alone and no party of [or] faction is competent to negotiate with a foreign country. The question of the supply of arms can only be taken up with the Central Government, and only the Central Government is in position to state how they are to be distributed (*Social Welfare*). There are some Americans whose views have been influenced by false propaganda. Ambassador Hurley's statement, we believe, will not fail to dispel all doubts and apprehensions. As Ambassador Hurley said, the American Embassy and military organizations in Chungking, together with the Chinese Government, constitute a team to defeat Japan. This cooperation is already bearing fruit in preparations under way for a counter offensive (*National Herald*).

The only paper openly to express its chagrin over and adversely to criticize the Ambassador's statements was the Communist *Hsin Hua Jih Pao*<sup>96</sup> which generally represents views of the various parties and factions in opposition to the Central Government. It is [*sic*] stated:

[“]We deeply regret the statements made by General Hurley, as he does not understand the popular demand for democracy which is the true basis for China's domestic unity. We are of the opinion that the present disunion is due to one party government. The Communist Armies are not protecting the selfish interests of a single party but are a popularly supported anti-Japanese force. Military unification without democratic union will lead nowhere. If the United States Army does not supply the strongest and largest Chinese force, the war will be prolonged and losses increased. Not only China but also the United States will suffer. We are of the opinion that General Hurley's statements will aggravate disruption, promote civil war and postpone victory.”

Sent to the Department. Repeated to Cairo for General Hurley.

ATCHESON

<sup>96</sup> News organ of the Chinese Communist Party at Chungking.

740.0011 PW/4-745

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent)*<sup>97</sup>

[WASHINGTON,] April 10, 1945.

The April 5 issue of *Trud*, Soviet trade union daily, carries an article on the political situation in China which criticizes the Kuomintang and praises the "Communists". This article, like others which have appeared in the Soviet press, illustrates the trend toward a more active Soviet interest in the internal affairs of China.

The following excerpts are the highlights of the article (as reported by the Embassy in Moscow's no. 1077, April 7<sup>98</sup>):

"...<sup>99</sup> the troops of the Eighth and new Fourth (Communist) armies together with Peoples Partisan Forces, which the Government does not wish to recognize, for the eighth year are holding high the banner of the National Liberation war . . . .

"... a series of European countries who have been and are being liberated from the German Fascist occupiers, are giving to China lessons on how a true consolidation of national and many national forces on the basis of democracy can be attained . . . .

"It is impossible to ignore the fact that after the Crimea Conference and on the eve of the conference in San Francisco, the Chinese Government has occupied an openly hostile position in relation to the political forces standing in opposition to the Kuomintang, and is gradually passing to methods of direct suppression of them.

"(Chiang's March 1 speech) means in actuality the beginning of a new campaign against democratic forces, and whatever may be the calculations of its initiators, this campaign promises only new woes for China."

J[OHN] C[ARTER] V[INCENT]

893.00/4-1145: Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 11, 1945—8 a. m.

[Received 12:30 p. m.]

606. We understand that Dr. Sun Fo will shortly give a broadcast to the United States, the chief purpose of which will be to convey

<sup>97</sup> Addressed to the Under Secretary of State (Grew), the Assistant Secretary of State (Dunn), and the Director of the Office of Far Eastern Affairs (Ballantine).

<sup>98</sup> Not printed.

<sup>99</sup> Omissions indicated in the original memorandum.

assurances, prior to the convening of the San Francisco Conference, that there will be no civil war in China.

BRIGGS

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123 Hurley, Patrick J. : Telegram

*The Ambassador in China (Hurley), Temporarily in Iran, to President Truman*<sup>1</sup>

TEHRAN, 13 April 1945.

In this hour, it is unnecessary for me to say to you that you will have the same loyalty and support from me as I have given to President Roosevelt. Recently President Roosevelt asked me, in addition to my services as Ambassador to China, to go to London to confer with Churchill and Eden on the Chinese situation and to go to Moscow to confer with Stalin and Molotov on the same subject. I had not intended to report on this mission until after my conferences in Moscow but owing to the turn of events I am today sending a brief outline<sup>2</sup> of my conferences in London to the Secretary of State. This morning I thought of turning back as my visit to Moscow was undertaken as the personal representative of President Roosevelt. However on further consideration I think it is appropriate to carry on and I shall continue the conferences in Moscow unless I am otherwise directed by you or the Secretary of State. The procedure under protocol provides that an Ambassador tender his resignation to the incoming President. For that reason I am appending to this report my formal resignation which can, if you wish, be separated from the foregoing secret message. I hereby tender my resignation as American Ambassador to China. I am at your command for any service you may desire from me.

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893.00/4-1445 : Telegram

*The Ambassador in China (Hurley), Temporarily in Iran, to the Secretary of State*<sup>3</sup>

[TEHRAN,] April 14, 1945.

Shocked by news death of President. As you know I am on a special mission directed by President Roosevelt to confer with Churchill and Eden in London and Stalin and Molotov<sup>4</sup> in Moscow. During your absence and the absence of Under Secretary Grew, I

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<sup>1</sup> Transmitted also to the Secretary of State.

<sup>2</sup> See telegram of April 14, *infra*.

<sup>3</sup> Copy transmitted to President Truman by the Secretary of State on April 18.

<sup>4</sup> V. M. Molotov, Soviet Commissar for Foreign Affairs.

was fully briefed by Assistant Secretary Dunn on all questions pertaining to Asiatic problems that might arise in the informal conversations to be held with the above-named officials.

It was the President's suggestion that I undertake to obtain cooperation from the British and Soviet Governments for the American policy to support the National Government of China; to unite the military forces of China to bring the war with Japan to a speedy end and to support all reasonable efforts of Chinese leaders for the purpose of creating a free, united, democratic China. I had not intended to report on the mission to London and Moscow until after my conversations in Moscow had been concluded. It was my intention then to report the facts and conclusions in detail directly to the President and the Secretary of State. However the turn of events has made it essential that I give you this brief summary of the situation to date.

Had full and informal conferences with Churchill and Eden and the General Staff in London. Churchill and Eden have agreed to support American efforts for the unification of all military forces in China. They have also agreed that they will support America's position in lending aid toward the establishment of free, united, democratic government in China. The discussions with the Staff pertained to the situation in India and Burma and problems connected with Thailand and Indo-China and the withdrawal of certain American resources to meet drastic situation in China and a justification for what America had done in that connection.

Later in the discussions with Churchill and Eden, questions pertaining to the reconquest of colonial and imperial territory with American men and lend-lease supplies and the question pertaining to Hong-kong and other problems were interjected by the British. Nearly all questions pertaining to various phases of Asiatic policy were frankly discussed. Churchill definitely branded the American long range policy in regard to China as "the great American illusion". He also disapproved America's withdrawal of American resources in Burma and India for the stabilization of America's military position in China. He said that the withdrawal of American resources from Burma and India might have a serious effect on the position of Mountbatten.<sup>4a</sup> I countered that America's position in China was facing disaster and to prevent American failure in China, I considered it justifiable and essential to use as much of American resources as necessary for the purpose of maintaining American position in China which, with the Pacific operations, constitute the real battlefronts against Japan.

When the subject was broached, I told Churchill I was not author-

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<sup>4a</sup> Adm. Lord Louis Mountbatten, Supreme Commander, Southeast Asia Command.

ized to settle the matter of the use of American resources for the reconquest of colonial possessions in Southeast Asia. However, I expressed my own opinion that America should use all her resources for the defeat of Japan rather than dissipate them in the reconquest of colonial territory in the rear. Churchill disagreed most emphatically with my expressed stand. I replied that I felt Britain, France and the Netherlands had enough resources of their own to mop up the enemy in their own empires.

The President briefed me regarding Hongkong and authorized me to discuss it if the question were introduced. Churchill flatly stated that he would fight for Hongkong to a finish. In fact he used the expression "Hongkong will be eliminated from the British Empire only over my dead body". He then said that the British Empire would ask for nothing and would give up nothing and I replied by saying that President Roosevelt had given him the British Empire which, in my opinion, was lost up until the time we entered the war. I added we had given freely of the resources and the lives of America and that I felt that his statement that he would accept nothing and give nothing was logically and factually incorrect. I reminded him that he had already accepted much. I then pointed out that if the British decline to observe the principles of the Atlantic Charter<sup>5</sup> and continue to hold Hongkong that Russia would possibly make demands in regard to areas in North China that would further complicate the situation and nullify most of the principles for which the leaders of the United Nations, especially Roosevelt, had stated that we were fighting.

I said that such a position would also be a complete nullification of the principles of the Atlantic Charter which was reaffirmed by Britain and the Soviet in the Iran Declaration.<sup>6</sup> At this point Churchill stated that Britain is not bound by the principles of the Atlantic Charter at all. He then called for a copy of a speech he made in Parliament subsequent to the promulgation of the Atlantic Charter.<sup>7</sup> I then called his attention to the fact that he reaffirmed the principles of the Atlantic Charter subsequent to his speech in Parliament when he signed the Iran Declaration. Notwithstanding all this he persisted that Britain is not bound by the principles of the Atlantic Charter. He sent to me by his secretary an excerpt from his address in Parlia-

<sup>5</sup> Joint Declaration by President Roosevelt and British Prime Minister Churchill, August 14, 1941, Department of State *Bulletin*, August 16, p. 125, or 55 Stat. (pt. 2) 1603.

<sup>6</sup> Signed at Tehran, December 1, 1943, Department of State *Bulletin*, December 11, 1943, p. 409.

<sup>7</sup> For statement by the British Prime Minister before the House of Commons on September 9, 1941, see United Kingdom, *Parliamentary Debates*, House of Commons, 1940-41, 5th series, vol. 374, pp. 67-68.

ment which he had stated was the true position of Britain in regard to the Atlantic Charter.

Notwithstanding Churchill's stubborn attitude the conversations were not at all unfriendly. At the end of the discussion Churchill reiterated his statement that he would support America's policy in China for the unification of the Chinese armed forces and the creation of a free, united, democratic China. This of course was the chief objective of my discussions. Eden went even further than Churchill on this subject in saying that he would recall any British official or agent in China who opposed the American policy if I would supply him with the facts and the names of the persons concerned.

While the purpose of my mission was discussed fully in your absence with Assistant Secretary Dunn, the visits both to London and Moscow were clearly as the personal representative of the President rather than in my capacity as Ambassador to China. So upon hearing the news of the President's death this morning, I considered turning back and not going to Moscow. After further deliberation, however, I have concluded that it would be appropriate for me to carry on unless I receive instructions to the contrary from you or from the President.

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893.00/4-1445 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 14, 1945—8 a. m.

[Received April 15—2: 45 p. m.]

625. 1. According to a news item in the (Communist) *Hsin Hua Jih Pao*, the Democratic League gave a reception on April 6 for Tung Pi-wu, the Communist delegate to the San Francisco Conference, at which Tung delivered an address along lines as follows:

Since its inauguration in 1940 the Democratic League has made a lasting impression on the people of China and has played an important role in the democratic revolution. Yen-an<sup>8</sup> welcomes the growth of the League, as the League and the Communist Party have an identical objective—the realization of democratic union in China in order to facilitate success in the war of existence and national reconstruction. Today the country is under the domination of a single party, and other parties and factions have no legal basis. Let all representatives of the various political parties and factions unite in order to obtain our common objectives through the establishment of a provisional coalition government to be followed by the formation of a genuine coalition government composed of popularly elected delegates.

Under a democratic coalition government, popular rights and liberties can be realized and China can mobilize for the war effort her potential strength and usefulness. Only through such means can we

<sup>8</sup> Yen-an, Shensi, location of the headquarters of the Chinese Communist Party.

comply with the demands of the nation as a whole and take our rightful place in the family of nations. Otherwise at the time of, or even before, the successful conclusion of the war of resistance, civil war may be unavoidable.

The Communist Party has delegated me to represent my hundred million comrades at San Francisco in order to make known our opinions to the family of nations. Moreover, I hope to coordinate my efforts there with those of Mr. Li Huang and Mr. Carson Chang (the two delegates to the conference representing the Democratic League). I am confident that through our united efforts a democratic China can be realized. Otherwise there will be no permanent peace of [*or*] freedom for the people of China or for the people of world. (*End of Summary*)

2. Mr. Tung's address was followed by speeches of a similar tenor by prominent members of the Democratic League and other independent groups, including industrialists, educators and farmers, all of whom called for a united front at San Francisco in opposition to the Kuomintang representatives. It was recommended that the "people's delegates" (that is to say, Carson Chang, Li Huang and Tung Pi-wu) take advantage of their presence at San Francisco to acquaint the outside world with present conditions in China and to obtain their sympathy.

Three members of the Democratic League who attended the meeting have informed the Embassy that the above account is substantially correct. They feel, and the Embassy concurs, that the meeting was an event of considerable importance as indicating that the Communist Party is now prepared to accept the cooperation of the Democratic League in opposition to the Kuomintang, not only at San Francisco but in the future political life of China.

BRIGGS

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123 Hurley, Patrick J. : Telegram

*The Secretary of State to the Ambassador in Iran (Allen)*

WASHINGTON, April 14, 1945—3 p. m.

198. For Ambassador Hurley. Thank you for your cables of April 13 and 14 which I shall be glad to bring to the attention of the President at the first opportunity. I fully concur with you that you should carry on your mission to Moscow in accordance with previous instructions. I suggest you send me a similar cabled report covering your discussions in Moscow.

I am sending a copy of this telegram to Mr. Harriman for his information.

STETTINIUS

893.00/4-2745

*Memorandum by the Second Secretary of Embassy in the Soviet Union  
(Davies)*<sup>9</sup>

[Moscow,] April 15, 1945.

In attempting to estimate the course of future political and military developments in China, the following comments may be helpful:

1. Since the middle of the 19th Century China has been undergoing a revolution—political, economic, military and social. Japan's attack in 1937 caught China in midpassage between medievalism and modern statehood. The old had not died and the new had not been born. Japan's aggression imposed an armistice on the contending forces in China seeking to shape that country's destiny. But the internal conflicts have been too great. The truce has begun to break down.

2. The principal contending forces in China are:

(a) *The National Government.* Although it is a one-party (Kuomintang) Government, the party—and therefore the Government—is not of a single mind. A left wing faction is sympathetic to immediate multiparty coalition government. However, all Government factions, for opportunistic and other reasons, are more or less committed to the Generalissimo and his resolve to create a unified state under his personal preceptorship.

(b) *Residual warlords.* They are mostly in West China. Because they wish fully to recover their feudal rights, they are anti-Chungking and anti-communist.

(c) *Separatist elements in South China.* These are composed of politicians and generals who, during last winter, established practically autonomous regimes. The most prominent of these leaders has been making overtures to the Communists. These elements are anti-Chungking.

(d) *The League of Democratic Parties.* The league is made up of several minority parties, individually of little strength but collectively significant, especially as the League has been working with the Communists. However, it is the only force here listed without troops—a critical weakness.

(e) *Chinese Communist Regime.* The Chinese Communists are more than a Party. They are a *de facto* regime claiming about 650,000 square kilometers and 90 million people under their control and 600,000 regular troops, plus 1,500,000 militia. The Communists are the major challenge to Kuomintang supremacy.

(f) *The puppets.* These outright opportunists with an estimated 300,000 troops in Manchuria and 900,000 in China Proper, work for the highest bidder. When collaboration with the Japanese ceases to be profitable, they will offer their armies and civilian retinues to whomever they believe willing and able to assure them the best terms. For

<sup>9</sup> Prepared for the Ambassador in the Soviet Union (Harriman) in connection with the visit to Moscow of the Ambassador in China (Hurley); copy forwarded to the Department.



the puppets, the Communists will be difficult (but not impossible) to do business with. Chiang will probably grant more attractive terms because his need of puppet aid is greater and his attitude toward the collaborators more tolerant. Those puppets in Manchuria and much of North China will, however, scarcely be able to establish military contact with Chiang's forces and so will probably be compelled by circumstances to seek terms from the Communists—and possibly the Red Army.

3. In the confused Chinese domestic struggle, the Government-Communist conflict is paramount both in magnitude and future portent. The other forces tend to range themselves with one or the other of major contestants.

4. The prospect for the attainment of Chinese unity through negotiation would not seem to be bright.

The central issue in Chiang-Communist negotiations has been the establishment of a coalition Government. Chiang knows both the Kuomintang and Communists too well to accede to this seemingly innocent proposal. He knows that the Kuomintang is corrupt and vulnerable to boring from within. He knows that the Communists are so well organized and so well disciplined that they would sooner or later dominate the coalition. To understand the peril of coalition with the Communists, the Generalissimo need not refer to the current working of Popular Front governments in Eastern Europe. He need only recollect his own 1926 experiences with the then young and weak Communist Party.

As for the Communists, they are not likely to compromise with Chiang on anything short of coalition. They would like coalition because it would mean a relatively cheap acquisition of control over most if not all of China. But if coalition is not forthcoming, they can afford to wait. The Communists reckon that time is on their side. Their steady expansion southward behind the Japanese advances of last year continued as they negotiated. Expansion and consolidation presumably still continue in North, Central and South China. And then there is always the possibility of eventual positive support from the Soviet Union.

5. The prospect for the attainment of Chinese unity through military action by the Government is scarcely more hopeful. It is difficult to believe that Chiang's armies, even though rejuvenated by American supplies and training, can accomplish what the Japanese have, in nearly eight years of effort, failed to do—effectively conquer North China. With the solid support of the masses (which the Government armies do not have) the Communist forces may be expected at the very least to hold what they now have north of the Yellow River.

Should the Red Army enter North China, the picture would radically change. In such an eventuality, we may anticipate that Chiang's

troops could not and would not advance into that part of North China occupied by Soviet forces.

Whatever action the Soviet Union may initiate, any serious attempt by Chiang to take over Communist areas by military measures will precipitate bitter and violent civil conflict. It is possible that with American help, Chiang can, over a period of years and at the cost of disruptive civil war, effectively conquer the Communist enclaves in the Yangtze Valley and South China. But most of North China would seem to be permanently lost to him.

6. If China cannot be unified under Chiang through either political or military measures, can his Government be strengthened to the extent that it will serve as a dependable balance and buffer in eastern Asia? The answer is: perhaps—depending on (*a*) the extent of foreign support given him and (*b*) whether the Chinese Government is able so to reform itself that it commands positive popular backing.

The extent of foreign intervention required to set up Chiang's Government as a dependable balance and buffer should not be underestimated. Foreign underwriting of the Chinese Government militarily, economically and politically would be necessary. And on a scale which might well be repudiated by the electorates of the underwriting Governments.

Nor should there be illusions regarding the fundamental weakness of Chiang's Kuomintang Government and its need of reform. It lacks active popular support. It has at present no program which promises to attract active popular support. It is venal, inefficient and stale. If it is to exist alongside a dynamic and disciplined Communist China and hope to survive, it must, in addition to receiving far-reaching foreign aid, radically reform itself. It is debatable whether the Kuomintang Government is at this late time capable of reforming itself. It may well be that, like the Bourbons, it has learned nothing and forgotten nothing.

7. What is the nature of the Communist regime? The Chinese Communist Party began as an instrument of Moscow's policy of world revolution. With the Kremlin's abandonment, however temporary, of that policy the Chinese Communists were left pretty much to shift for themselves. Realizing that their strength must be based on the masses and recognizing that the Chinese masses are composed of conservative individualistic peasants, they revised their platform in the direction of moderation. They adopted agrarian democracy as their immediate goal, socialism as their distant one.

The trend in the direction of nationalist rather than international thinking was given further impetus by the formation of the United Front in 1937 and Japan's invasion of China. This feeling has presumably been reinforced by the fact that the Chinese Communists

have attained the status of a *de facto* regime and can look forward with some hope to functioning as the established administration of North China.

Although Communist political leaders at Yen-an will not admit any disappointment over the failure of the Kremlin to aid them while acting as lightning rod for the Soviet Union, they would scarcely be human if they did not feel some resentment on that score.

With the growth of the nationalist feeling among the Chinese Communists, the shabby treatment which they have received from the Kremlin during the past nine years and the possible prospect of the Red Army invading Manchuria and North China and Russian suzerainty being imposed on the Yen-an regime, it would seem to be logical to assume that there are at least some elements among the Chinese Communists who might welcome foreign support designed to ensure the continuance of their expansion and independence. Mao Tze-tung is not necessarily a Tito simply because he is a Communist.<sup>10</sup>

8. At this point it may be useful to examine the American position in relation to the problem of China. If we conclude that the Chinese Communist regime is here to stay; that China cannot be unified; and that we cannot with any assurance of success attempt to build up the Kuomintang Government as a balance and buffer in eastern Asia, is it worth our while to embark upon a policy of cooperation with and assistance to the Chinese Communists?

Before discussing this question, it should be said that an affirmative answer does not imply abandonment of Chiang's Government. Presumably, such a policy would be predicated on the assumption that when dealing with as uncertain a situation as that which exists in China, it may be prudent not to commit all of our policy eggs to one basket.

(a) In considering a possible American policy of cooperation with and assistance to the Chinese Communists, the first consideration is probably—will the Chinese Communists be willing to cooperate with us on terms equal to or better than those which they will extend to the Soviet Union? In other words, will they be voluntary creatures of Russian foreign policy? We do not know. And the operations of Communist-dominated regimes in Europe do not give us convincing indication of how the older and more self-sufficient Chinese Communist regime would react to American overtures. Further investigation of Moscow-Yen-an ties by a competent observer at Yen-an might throw more light on this important issue.

What can be said at this juncture, however, is that if any commu-

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<sup>10</sup> Marginal notation: "But probably".

nist regime is susceptible to political "capture" by the United States, it is Yen-an.

(b) If we set out to formulate a policy of aid to and cooperation with the Chinese Communist regime, we should recognize that such a policy will involve competing with Russian drawing-power rather than seeking to block it off, as would be the case were we to bolster Chiang as a balance and buffer. To have any chance of success, such competition would in the economic field have to be on about the same scale as now planned for Chiang's Government and in the cultural field on a greater scale. In so far as political considerations are concerned, there would not seem to be reason for large-scale military aid and cooperation. Finally, American aid and cooperation in all fields would be utterly abortive if not integrated under expert and resolute political direction.

(c) Even if the Yen-an regime is willing to cooperate with us on the level and we undertake with maximum possible effect a campaign to "capture" politically the Chinese Communists, what would happen should the Red Army move into North China? Wherever the Red Army has thus far gone in Europe, Russian political domination has followed. There is reason to believe that the same pattern would probably be repeated in eastern Asia.<sup>11</sup>

If the Red Army enters North China, it should not be surprising if those Chinese sympathetic to the United States were liquidated and American aid and cooperation effectively obstructed or eliminated.<sup>11</sup>

However, the Red Army is not likely to invade North China without excuse. The excuse is the presence of Japanese troops. And it is one which, presumably, we are not prepared to attempt to remove either through military or political action.

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893.00/4-1745 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*<sup>12</sup>

Moscow, April 17, 1945—7 p. m.

[Received April 17—5 : 05 p. m.]

1212. From Hurley. I concluded conference with Marshal Stalin and Foreign Minister Molotov on the night of 15 April. Ambassador Harriman was present and participated. I recited for Stalin, in the presence of Molotov, my analysis of Molotov's former statement on the Soviet's attitude toward the Chinese Communist Armed Party and the Chinese National Government. My analysis was briefly as follows: Molotov said at the former conference that the Chinese Communists are not in fact Communists at all. Their purpose is to

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<sup>11</sup> Marginal notation: "True".

<sup>12</sup> Copy transmitted to President Truman by the Secretary of State on April 18.

procure what they consider necessary and just reformations in China. The Soviet is not supporting the Chinese Communist Party. The Soviet does not desire internal dissensions or civil war in China. The Soviet Government desires closer and more harmonious relations with China. The Soviet is intensely interested in what is happening in Sinkiang and other places and will insist that the Chinese Government prevent discriminations against Soviet nationals. Molotov assented to my analysis of my former conference with him. I then outlined for Stalin and Molotov the existing relations between the Communist Armed Party in China and the National Government. I stated frankly that I had been instrumental in instituting conferences and negotiations between the National Government and the Chinese Communist Party. I briefly outlined the negotiations, the progress made and the present status. I told Stalin that the Chinese Communist Party and the National Government of China both claimed to adhere to the principles of Dr. Sun Yat-sen for the establishment in China of a government of the people, by the people and for the people. I told him that both the Chinese Communist Party and the National Government are strongly anti-Japanese and it is the purpose of both to drive the invader from China. There are unquestionably issues between the Communist Party of China and the National Government but both are seeking the same major objectives, namely, the defeat of Japan and the establishment of a united, free, democratic government in China. Many differences do exist between the two parties on details because of past conflicts. I made it plain that the United States is insisting that China furnish its own leadership, make its own decisions and be responsible for its own policies. With this in mind the United States had (1) supported all efforts for the unification of the armed forces of China and (2) endorsed China's aspirations to establish a free, united, democratic government in China. I told him that President Roosevelt had authorized me to confer with Prime Minister Churchill on this subject and that we had obtained from Prime Minister Churchill and Foreign Secretary Eden complete concurrence in the policy for the unification of all armed forces in China for the defeat of Japan and the endorsement of China's aspirations to establish for herself a free, united, democratic government. To promote the foregoing program it had been decided to support the National Government of China under the leadership of Chiang Kai-shek. Stalin stated frankly that the Soviet Government would support the policy. He added that he would be glad to cooperate with the United States and Britain in achieving unification of the military forces in China. He spoke favorably of Chiang Kai-shek and said that while there had been corruption among certain officials of the National Government of China he knew that Chiang Kai-shek

was "selfless", a "patriot" and that the Soviet in times past had befriended him.

I then related to Stalin and Molotov the request made by the Chinese Communists for representation at the San Francisco Conference. I told them that before leaving China I had advised the Chinese Communists that the Conference at San Francisco was to be a conference of governments and not of political parties and that I had advised the Communists to request representation at San Francisco through the National Government of the Republic of China. I told him that this decision had been upheld by President Roosevelt and that the President had advised Chiang Kai-shek of the advisability of the National Government's permitting the Chinese Communist Party to be represented on the Chinese National Government's Delegation to the Conference at San Francisco. I told the Marshal that it was a very hopeful sign when Chiang Kai-shek offered a place on the delegation to San Francisco to a Chinese Communist and that the appointment had been accepted. I told Stalin that I thought it was very hopeful that a leading member of the Chinese Communist Party would be a delegate of the Chinese National Government at San Francisco. Stalin agreed that this development was very significant and he approved. I told him that President Roosevelt and Prime Minister Churchill had indicated their approval of the policy outlined. The Marshal was pleased and expressed his concurrence and said in view of the overall situation he wished us to know that we would have his complete support in immediate action for the unification of the armed forces of China with full recognition of the National Government under the leadership of Chiang Kai-shek. In short, Stalin agreed unqualifiedly to America's policy in China as outlined to him during the conversation.

New subject.<sup>13</sup> President Roosevelt briefed me on another subject on which I was to confer with Stalin. Stalin asked me if I was familiar with the subject. I answered in the affirmative. He then asked me if Chiang Kai-shek had been advised by me. I replied in the negative. He then indicated that he had agreed with President Roosevelt that when the time came for discussions with Chiang Kai-shek that they would be instituted by me. A full discussion of this subject followed but I suggest that you get the details and the decisions reached from Ambassador Harriman who is now en route to Washington. In the conference with Stalin and Molotov and in all others matters, Harriman's cooperation and general helpfulness were of great value. [Hurley.]

KENNAN

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<sup>13</sup> Apparently the topic discussed was the agreements with respect to the Far East reached at the Yalta Conference in February.

893.00/4-1745

*Memorandum of Conversation, by the Deputy Director of the  
Office of Far Eastern Affairs (Stanton)*

[WASHINGTON,] April 19, 1945.

Mr. Stanton called on Ambassador Harriman this morning and asked Mr. Harriman if he would be so good as to read telegram no. 1212 of April 17, 7 p. m. from Ambassador Hurley to the Secretary which was dispatched after Mr. Harriman had left Moscow. The telegram summarized General Hurley's discussions with Marshal Stalin and Foreign Commissar Molotov in regard to the situation in China.

After reading the telegram Mr. Harriman, who was present during all conversations with Marshal Stalin, remarked that while factually correct he thought that General Hurley had given a too optimistic impression of Marshal Stalin's reactions. Mr. Harriman went on to say that the conversations had not disclosed anything new in regard to Marshal Stalin's views, so far as they were known, in regard to either Generalissimo Chiang Kai-shek or the question of internal unity in China. He said he believed Marshal Stalin felt that the Generalissimo was the outstanding figure on the Chinese political scene but that he was surrounded by reactionary and corrupt advisers. Mr. Stanton inquired whether it could be inferred from anything said during the conferences that Marshal Stalin would cooperate with the Generalissimo whether or not an agreement was reached between the Kuomintang and the Communists. Mr. Harriman replied that he was certain Marshal Stalin would not cooperate indefinitely with Chiang Kai-shek and that if and when Russia enters the conflict in the Far East he would make full use of and support the Chinese Communists even to the extent of setting up a puppet government in Manchuria and possibly north China, if Kuomintang-Communist differences had not been resolved by that time and a united Chinese government established which was "friendly" to Soviet Russia. Mr. Harriman said he felt the question of Soviet-Chinese relations was extremely important and likely to cause us serious trouble and that therefore we should do everything possible to promote unity in China and reestablish relations between China and Soviet Russia on a solid and harmonious basis.

In discussing the Soviet attitude toward our present policies and efforts with respect to China, Mr. Harriman said that Marshal Stalin apparently endorsed the initiative we had taken in attempting to bring about political and military unification in China; that Marshal Stalin would in all probability continue to endorse our efforts; and that Marshal Stalin had been impressed by and liked General Hurley's

frank statement of the efforts he had made during the past several months to bring about an agreement between the Kuomintang and the Communists. However, Mr. Harriman reiterated his previous statement that if internal unity were not achieved by the time Soviet Russia entered the war in the Far East he felt certain that the Russians would follow a course of action with respect to the Chinese Communists which would confront us with problems as grave and serious as those which had arisen in Europe. With respect to the Soviet Union's desires concerning Manchuria, Mr. Harriman said he did not believe they had in mind any territorial cessions but that they were definitely interested in Manchurian railroads and a commercial and naval base at Port Arthur.

Asked whether he thought General Hurley fully understood Marshal Stalin's views, Mr. Harriman said he thought General Hurley must have a pretty clear picture and added that he had impressed on General Hurley the fact that statements made by Marshal Stalin endorsing our efforts in China did not necessarily mean that the Russians would not pursue whatever course of action seemed to them best to serve their interests. Mr. Harriman remarked there was a possibility that General Hurley might give Generalissimo Chiang an over-optimistic account of his conversations with Stalin and that it might be advisable to telegraph General Hurley suggesting that he should be careful not to arouse unfounded expectations.

In reply to a question Ambassador Harriman said Marshal Stalin had agreed to receive Dr. T. V. Soong after the San Francisco conference.

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761.93/4-2345 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, April 23, 1945—noon.

[Received 12:30 p. m.]

1310. For Ambassador Harriman. General Hurley's report of his conversation with Stalin was forwarded to the Department as my 1212, April 17, 7 p. m. The message was marked secret for the Secretary, but as the interview took place in Moscow in your presence I think you should see it.

In view of your familiarity with the matter and the opportunity that you now have for stating your own views to the Department, I am of course making no comment on my own to the Department in regard to Ambassador Hurley's telegram nor did I make any to him since I was not sure what your views were. I do want to let you know, however, that it caused me some concern to see this telegram go forward. I refer specifically to the statements attributed to Stalin to the effect (a) that he agreed unqualifiedly to our policy in China as



outlined to him by Ambassador Hurley, (*b*) that the Soviet Government would support this policy, and (*c*) that we would have his complete support, in particular, for immediate action looking toward the unification of the armed forces of China with full recognition of the National Government under the leadership of Chiang Kai-shek.

I do not question that Stalin was correctly cited here nor do I question the good faith—from his standpoint—of his remarks.

In Ambassador Hurley's account of what he said to Stalin there was of course nothing to which Stalin could not honestly subscribe, it being understood that words mean different things to the Russians than they do to us. Stalin is of course prepared to affirm the principle of a unification of the armed forces of China. He knows that such unification is practically feasible only on terms acceptable to the Chinese Communists. The Ambassador further referred to our desire for a free, united and democratic China. These words would also be quite acceptable to Stalin. A free China means to him a China in which there is a minimum of foreign influence other than Russian. In official Soviet terminology the Warsaw Provisional Government and even Soviet Estonia are "free". Russia is entirely ready to support the principle of a "united" China, knowing that this could be achieved in reality only if the demands of the Chinese Communists, which would ultimately amount to domination of the government, could be realized. As far as a "democratic" government is concerned, we know from experience what the term "democratic" means in Moscow.

Stalin's courteous reference to Chiang is gratifying, but in no sense binding for any practical purpose.

Actually, I am persuaded that in the months and years to come, Soviet policy toward China will remain what it has been in the recent past: a fluid, resilient policy, aimed at the achievement of maximum power with minimum responsibility on portions of the Asiatic mainland lying beyond the Soviet border. This will involve the exertion of pressure in various areas in direct proportion to their proximity to the Soviet border and their strategic importance. Within the framework of this policy, I am sure that Moscow will aim specifically at:

(*a*) Reacquiring in substance if not in form all territorial and diplomatic assets formerly possessed by Czarist Russia on the Asiatic mainland.

(*b*) Acquiring sufficient control in all areas of North China now dominated by the Japanese to prevent other foreign powers from repeating the Japanese incursion. To the Russian mind this means maximum possible exclusion of penetration in that area by outside powers, including Britain and America.

(*c*) Domination of Chinese provinces adjacent to the Russian border in central Asia. The strategic necessity of protecting in depth the industrial core of the Soviet Union dictates such action.

Obviously, the achievement of these objectives would be simpler if Russia had the cooperation of a unified Chinese Government "friendly" to the Soviet Union. As far as can be observed, Russia has no desire for a conspicuous demonstration of her power in China which would engage Russian prestige or commit the Soviet Union to any rigid program. She prefers, if feasible, to work through others and to veil the means by which her real power is exerted. For this reason I have no doubt that she would prefer to work through an inwardly strong and nominally independent national Chinese Government sufficiently reliable and subservient to constitute an effective channel of influence. If this cannot be achieved, she is quite prepared to work, as at present in Sinkiang, through local forces which will not hesitate, where necessary, to challenge central authority.

The issues involved in our estimate of this situation are of such enormity, in view of the sacrifices we are now making in the Pacific, that I think it is our obligation to study with clinical objectivity the real character and the ultimate implications for ourselves of these Russian views and aims concerning the Far East. It would be tragic if our natural anxiety for Russian support at this stage, coupled with Stalin's cautious affability and his use of words which mean all things to all people, were to lead us into an undue reliance on Russian aid or even Russian acquiescence in the achievement of our long term objectives in China. This is a question of Russian-American, as well as Chinese-American relations; and I would not feel comfortable if I thought that the failure of this Mission to clarify completely the wording of Ambassador Hurley's telegram might have contributed in any way to a misunderstanding of the situation in high quarters at home.

KENNAN

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893.00/4-1745: Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, April 23, 1945—1 p. m.

614. I have read with much interest your 1212, April 17, 7 p. m., from Moscow, and am gratified to learn that your conversations with Marshal Stalin were of a satisfactory nature.

I attach great importance to Marshal Stalin's endorsement at the present time of our program for promoting Chinese military and political unity under Chiang Kai-shek. At the same time I feel, as I am sure you do also, the necessity of facing the probability that Stalin's

offer is given in direct relation to existing circumstances that may not continue for long. The Soviet Union is now preoccupied in Europe and the basis for her post-war position in Asia is not yet appreciably affected by the Kuomintang-Communist issue. Under these circumstances, I can well appreciate the logic of Stalin's readiness to defer to our leadership and to support our efforts toward political and military unification which could hardly fail to be acceptable to the Soviet Union. If and when Russia commences active participation in the Far Eastern theater, Chinese internal unity has not been achieved and the relative advantages of cooperating with one or the other side become a matter of great practical concern to Russia's future position in Asia, it would be equally logical, I believe, to expect Russia to re-examine her policy and revise it in accordance with her best interests.

I feel therefore that it is of the utmost importance that, when informing the Generalissimo of Marshal Stalin's statements, you take special pains to convey to him the general thought expressed in the foregoing paragraph in order that he may fully realize the urgency of the situation. Please impress upon him the necessity for early political and military unification in order not only to bring about the successful conclusion of the war against Japan but also to form a basis on which relations between China and the Soviet Union may eventually become one of permanent friendship and mutual respect.

STETTINIUS

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893.00/4-2345 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, April 23, 1945—1 p. m.

615. Following is extract from Moscow's 1246, April 18, 10 p. m., to the Department<sup>14</sup> (highlights of Soviet press for April 1-14, inclusive):

"Although press did not mention Ambassador Hurley's important press conference on China, significant article was published in *Trud* sharply criticizing Chinese Government and Chiang Kai-shek for allegedly failing to take advantage of favorable military opportunities created by Allied victories in Pacific and Burma. Article was especially critical of Chungking's alleged plans for action against Communist armies. It also asserted that Chungking Government has failed to honor its promises to establish political collaboration with Chinese Communists."

STETTINIUS

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<sup>14</sup> Telegram not printed.

893.00/4-2745 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, April 27, 1945—6 p. m.  
[Received April 27—4: 55 p. m.]

1394. Avarin article "Whither China?", appearing in April 15 *War and Working Class* and summarized in my 1345, April 26 [25] to Department,<sup>15</sup> repeated to Chungking as 32, April 26, prompts following comments.

Repeated reference to the Chinese Government as Chungking Government is not new departure but is more marked than in recent other articles on China.

Although condemnation of Kuomintang is more sweeping than heretofore, it is still admitted that there are liberals in party. For them the door is still ajar.

The door is likewise left open for the Generalissimo. He is not specifically identified with Kuomintang and reactionaries. Quotation of statements by Chiang admitting China's weaknesses and warning reactionaries seems to indicate Soviet disposition at least for time being not to classify the Generalissimo with London Polish leaders and other "enemies of democracy." (Repeated Chungking as 36.) This is in contrast to Yen-an's identification of Chiang with the forces of reaction. This relative reserve and obvious caution with [which] Moscow continues to treat the person of Chiang is open to a number of interpretations. In particular if Yen-an is considered here to have been exhibiting undue political health and outward independence then Moscow's tolerant attitude toward Chiang may represent a delicate warning that the Kremlin has more than one string to its Chinese bow. It would not be out of accord with established Russian methods to hold open and exploit the possibility of collaboration with Chiang as a means of impressing Yen-an with the necessity for hewing closely to the line of solidarity with Russia.

KENNAN

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<sup>15</sup> Not printed; the article, after attacking Kuomintang "reactionary diehards", concluded that, "unless urgent measures for the democratization of the political life of the country and the creation of national unity are carried out, China cannot occupy the place in the community of democratic nations that she ought". (893.00/4-2545)

893.00/4-2545

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs*

[WASHINGTON,] April 27, 1945.

Reference is made to Moscow's attached telegram no. 1345, April 25, 1945,<sup>16</sup> summarizing an article on China which appeared in the April 15, 1945 issue of *War and the Working Class*.

It will be apparent that this article is highly critical of the Chungking Government and its policies. It represents, at the same time, an open defense of the Chinese Communists and their policies. The Chungking Government is charged with being undemocratic, reactionary, unrepresentative of the people, et cetera, while it is suggested that the Chinese Communists are democratic, peace loving, et cetera. The article purports to show that the Kuomintang-Communist negotiations of last January and February came to nothing because of the rejection by Kuomintang "ruling circles" of "democratic proposals". Ridicule is heaped on the Kuomintang for offering to include representatives of other parties in the Executive Yuan and for proposing to call a National Assembly next November. These "clumsy maneuvers" are dismissed as an attempt on the part of the Kuomintang to perpetuate its power. Of particular interest are the suggestions that certain Chungking leaders (who are not clearly identified) will link up with the Japanese in the "struggle against the genuine people's partisan movement" (presumably a reference to the Chinese Communists), and that "some of the [Chungking]<sup>17</sup> Generals in the isolated territories have entered upon their duties as Chinese 'Mihailovitchs'".<sup>18</sup>

<sup>16</sup> Not printed, but see telegram No. 1394, April 27, 6 p. m., from the Chargé in the Soviet Union, *supra*.

<sup>17</sup> Brackets appear in the original memorandum.

<sup>18</sup> Gen. Draža Mihailović was the Yugoslav royalist (Chetnik) resistance leader.

This and other recent Moscow press comments on China indicate that the Soviet Union has embarked on a campaign of discrediting the Chungking Government—with which it maintains diplomatic relations—and of praising the Chinese Communists and enhancing their prestige. It is a campaign which appears to be similar to that carried out by the Soviet Union in Yugoslavia.

What are the underlying motives of the Soviet Union in connection with its press policy vis-à-vis China? If past Soviet actions may be taken as a criterion, it would appear reasonable to conclude that the Soviet Union is taking a more active interest in China and is preparing the ground for active intervention at a suitable time in the internal affairs of that country. The nature of the articles recently appearing in Soviet publications on China (and they may be expected to appear more frequently and in stronger terms as time goes by) clearly suggests that the Soviet Government is readying itself to turn its back altogether on the Chungking Government and lend its support to the Chinese Communists who will be represented as the “democratic hope” of China and as the “champions” of the Chinese people.

If the Soviet Union should move to put into practice the policy toward China which is being enunciated in the Soviet press, it is obvious that it would be a matter of grave concern to the United States. If unchecked, it might lead to the Communization of China and perhaps to Soviet domination of China—possibilities that require our most earnest reflection and consideration.

It would be interesting to know what attitude the Chungking authorities are taking in the face of these Soviet press attacks and whether they have protested or contemplate protesting to the Soviet Government. It would also be interesting to know whether these Soviet press comments have contributed to the apparent stiffening of the Chinese Communist attitude toward the Chungking Government.

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123 [Hurley, Patrick J.]

*Memorandum by the Deputy Director of the Office of Far Eastern Affairs (Stanton)*<sup>19</sup>

[WASHINGTON,] April 28, 1945.

This memorandum has been prepared in the belief that you will want to know of certain developments in regard to Ambassador Hurley's handling of policy matters affecting our relations with China

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<sup>19</sup> Addressed to the Under Secretary of State (Grew) and the Assistant Secretary of State (Holmes).

and his attitude toward Foreign Service officers in China which are causing us deep concern.

(1) *Handling of Policy Matters Affecting Relations with China.* We have for some time noted with concern that General Hurley's approach to the very complicated political problems in China is characterized by an intransigent and inflexible attitude. It had been our hope that upon General Hurley's return to Washington it would be possible to talk freely and frankly with him on policy matters and to impress upon him the very great importance attached by officers of the Department to a completely flexible and realistic approach to these problems. However, the few conversations had with General Hurley were unsatisfactory and fruitless. Experienced Foreign Service officers and responsible officers of other Government agencies who have recently returned from Chungking share our concern in regard to the enunciation by General Hurley of a policy, which has been described by intelligent observers of the political situation in China, as "blank check" support of the Generalissimo and his one-party (Kuomintang) government. In our opinion General Hurley's "policy" is increasing Generalissimo Chiang Kai-shek's intransigence in dealing with the problem of internal unification, is unwisely restricting our military aid to China exclusively to the Generalissimo's forces, thereby preventing us from making use of other Chinese forces which might be effectively used against the Japanese. His policy, we believe, is vitiating the influence and leverage we possess to induce the Generalissimo to bring about the military, economic and governmental reforms essential to the establishment of internal unity and stability. In brief, Ambassador Hurley is conducting this Government's relations with China along lines which we do not approve and which we fear will lead China toward internal chaos and serious external complications.

(2) *Attitude Toward Foreign Service Officers in China.* During General Hurley's visit here, it was very evident from his remarks that he is extremely suspicious of and entertains a dislike for Foreign Service officers in China. This antipathy has been confirmed by officers returning from Chungking, who have indicated the serious effect it has had upon their own morale and the morale of the other Foreign Service officers stationed at Chungking and at other posts in China. In consequence, it is becoming increasingly difficult to persuade Foreign Service officers who have served under General Hurley to return to China. Of an equally serious nature are the severe restrictions imposed by General Hurley upon political reporting by officers in China. We have definite reason to believe that General Hurley has ordered that only political reports favorable to the Chinese National Government may be made to the Department. This means that the

Department will receive restricted and incomplete information concerning developments in China and it is apparent that we can no longer count on receiving factual and objective reports in regard to *all* aspects of the situation which the Department must have if it is to conduct its foreign relations in an intelligent and successful manner. It is hardly necessary to add that these restrictions have done much to undermine morale and have engendered a feeling among the Foreign Service officers with experience of Chinese affairs that our relations with China are being seriously mishandled.

E[DWIN] F. S[TANTON]

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893.00/4-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, April 30, 1945.

[Received May 1—11: 14 a. m.]

696. The list of members of the Fourth People's Political Council scheduled to meet July 5 was announced on April 23 after having been approved by the Supreme National Defense Council. The total membership has been increased to 290 compared with 240 for the third PPC; 5 members are National Socialists, 8 are Communists (4 in the Third PPC), and 9 are Youth Party representatives (4 in Third PPC). Eight members are from Mongolia and Tibet, 8 from overseas and 75 from cultural associations and economic societies. The more prominent non-Kuomintang members include Mao Tze-tung, Chou En-lai, Teng Yung-chiao (Mrs. Chou En-lai), Lin Tze-han and Tung Pi-wu (Communist); Li Huang and Tso Shun-sheng (Youth Party); Carson Chang and Chang Lan (National Socialists); and Bishop Paul Yubin, Hu Shih and James Yen (non-party).

According to the *Ta Kung Pao*, the Fourth PPC represents certain improvements: (1) More members have been elected, those provinces and municipalities which have their own councils having elected their own members; (2) The number of members of other political parties has been increased, non-partisan members being mostly persons of prominence; (3) The power of the PPC has been extended to include rights not granted to former sessions, including the right to examine the national budget; and (4) It has been given the important task of discussing problems concerning the convocation of the National Assembly. The PPC (states the *Ta Kung Pao*) is "a [consultative?] organ representing public opinion and is far short of the standard of a democratic parliament. We hope that after successfully discharging its duties it will no longer be required".

HURLEY



S93.00/4-3045

*The Ambassador in China (Hurley) to the Secretary of State*

No. 321

CHUNGKING, April 30, 1945.

[Received May 22.]

SIR: I have the honor to transmit a copy of a memorandum by Dr. John D. Sumner of the Embassy staff regarding the economic policies and views of the Chinese Communists. The memorandum has been prepared on the basis of available Communist publications, information in the Embassy's files (much of it supplied by Mr. John S. Service), and conversations with other Americans who have visited Yen-an. I likewise submit, following the summary of the memorandum, certain comment thereon.

*Summary:* While Chinese Communists generally adhere to Marxian ideology and believe in a socialistic state as an ultimate goal, they have expressed the belief that China will not be ready for socialism for many years to come.

Present policies of the Communist regime include regulation of rent and interest, government ownership along with private enterprise, the use of taxation as an instrument of economic policy, the fostering of cooperatives, some regulation of wages and hours of labor, and similar measures. Currency problems are of less importance due to the extensive use of barter.

Ideas of postwar economic policy have not crystallized. The expressed views of Communist leaders, however, include the gradual transfer of land ownership to peasants, the fostering of private enterprise along with state enterprise, a liberal attitude toward foreign investment and trade, regulation of wages and hours, and a non-discriminatory policy toward the Japanese. The primary objective of industrialization is said to be that of raising the standard of living of the people, rather than of building a "national defense economy".

*End of Summary.*

To assist the Department in evaluating the enclosed report, I offer the following comments: In some parts of the memorandum, particularly that section which outlines the views which Communist leaders are reported to have expressed regarding postwar economic policy, it was necessary for Mr. Sumner, in the absence of other materials, to rely chiefly on statements of Mr. John S. Service, a Foreign Service Officer who was in Yen-an during several months in 1944 and again in 1945, or on materials transmitted by him. As the Department is aware from Mr. Service's reports from that post, he has shown himself to be very favorably disposed toward the Communists and also on occasion to be most unfriendly to the Nationalist Government of Generalissimo Chiang Kai-shek. It is my impression, which is amply supported by Mr. Service's reports and despatches, that he cannot therefore be considered as an impartial observer, and I feel obliged to enter this *caveat*.

(I refer for example to Mr. Service's Secret report to General Stilwell dated October 10, 1944,<sup>20</sup> the following headings from which appear typical of his point of view.

1. "We are in no way dependent on the Kuomintang. We do not need it for military reasons.
2. We need not fear Kuomintang surrender or opposition.
3. We need not fear the collapse of the Kuomintang Government.
4. We need not support the Kuomintang for international political reasons.
5. We need not support Chiang in the belief that he represents pro-American or democratic groups. . . ")

In this connection I presume that Mr. Service's opposition to the National Government of China is well exemplified by the reports already in the Department. My own directive was to prevent the collapse of the National Government of the Republic of China, whereas, Mr. Service was apparently attempting to bring about the downfall of that Government. The second phase of my directive was to harmonize the relations between the American Embassy and the civil government of China. Mr. Service's objective appears to have been to establish that type of relationship not with the National Government but with some other institution or party in China, obviously the Communist armed party in China. Consequently, I could not fulfill my mission and at the same time support the position taken by Mr. Service. My directive did not say in effect "prevent the collapse of the National Government of China and harmonize relations between the American and Chinese military establishments and the American and Chinese civil governments if you find the motives of the Kuomintang to be pure". That would have given me an opportunity to agree with Mr. Service. My directive, however, was unequivocal "to prevent the collapse of the National Government and to harmonize the relations between that government and the American military and civil establishments in China.["]<sup>21</sup>

At the same time I wish to emphasize that, despite my own belief in the general partiality of his most frequent source, I regard Mr. Sumner's memorandum as an objective statement.

Respectfully yours,

PATRICK J. HURLEY

<sup>20</sup> Report No. 40 from Yen-an by the Second Secretary of Embassy in China (Service), transmitted to the Department as enclosure to despatch No. 3174, November 22, from the Chargé in China (Acheson); *Foreign Relations*, 1944, vol. vi, p. 707.

<sup>21</sup> In a memorandum of June 1 to the Director of the Office of Far Eastern Affairs (Ballantine), the Chief of the Division of Chinese Affairs (Vincent), discussing Ambassador Hurley's comments on Mr. Service in this despatch, concluded:

"Mr. Service has proved to the entire satisfaction of CA that he is an exceptionally competent and useful observer and reporting officer. (Incidentally, Ambassador Gauss has spoken highly of his ability in this respect). Furthermore, a careful comparison of his reports with those of other American and

[Enclosure—Extracts]

*Memorandum by the Economic Adviser to the Embassy in China  
(Summer)*<sup>22</sup>

## ECONOMIC POLICIES AND VIEWS OF CHINESE COMMUNISTS

The purpose of this memorandum is to bring together certain information with respect to the economic policies pursued by Communist China, together with the views of Communist leaders as to future policies. Emphasis will be placed, not upon specific measures regarding production adopted as war expedients, but upon economic policy in the broader sense, including such questions as taxation, land ownership, control of rent and interest, the position of private enterprise and of foreign investment, and similar matters.

The sources employed in preparing this memorandum include translations of speeches and articles by Communist leaders, certain laws and resolutions of the "Border Region", materials contained in despatches from members of the U. S. Army Observer Section in Yen-an, and conversations of the writer with Americans who have visited the "Communist Capital" at Yen-an. Information provided orally by Mr. John S. Service,\* as well as information in despatches prepared by him, has been particularly useful.

## GENERAL ECONOMIC IDEOLOGY

Chinese Communist party leaders have been asked why, in the interest of obtaining a more sympathetic foreign reaction, they do not abandon the name "communist", particularly since their present policies do not constitute communism. The reply has been, "We believe in communism."<sup>†</sup>

This attitude has recently been relaxed, however, to the extent of using the romanization of the party name—"Kungchantang"—rather than its translated meaning, for purpose of foreign publicity.<sup>‡</sup>

The ideology of the Chinese Communists is Marxian.<sup>§</sup> But it is also a pragmatic ideology which advocates the adaptation of economic

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foreign (non-Chinese) observers who have visited Chinese Communist areas reveals substantial agreement with the majority of them, with respect both to facts and to general appraisal thereof."

<sup>22</sup> Footnotes throughout this document are in the original.

\*Mr. Service was in Yen-an in the summer and autumn of 1944, and for several weeks in the spring of 1945, as a member of the U. S. Army Observer Section.

<sup>†</sup>Oral statement of Mr. Service to the writer.

<sup>‡</sup>See Embassy despatch no. 3043, October 9, 1944. [Not printed.]

<sup>§</sup>The Communists stress the catholicity of their intellectual background. Thus, Mao Tse-tung, in an interview with Maurice Votaw (American employee of the Kuomintang Ministry of Information) July 18, 1944, is said to have stated that the Chinese Communist Party has accepted Leninism from Russia, Marxism from Germany, 18th Century French philosophy, Feuerbach's materialism, and the democracy exemplified by Washington and Lincoln. See Report no. 3, U. S. Army Observer Section, July 30, 1944, enclosure to Embassy's despatch no. 2923, September 1, 1944. [For despatch No. 2923, see *Foreign Relations*, 1944, vol. VI, p. 536.]

policies to the stage of industrial and political development in which China finds herself today. Thus, Mao Tse-tung, Chairman of the Central Executive Committee of the Party, has written of necessary transitional periods in the development of China: "It is evident that if the present society of China is colonial, semi-colonial and semi-feudal in character, the process of China's revolution must be divided into two steps. The first step is to change the colonial, semi-colonial and semi-feudal form of society into an independent democratic society, while the second step is to push the revolution forward to establish a socialist society. What we are carrying on now is the first step of the Chinese revolution."¶ And again: "If it is impossible for us to travel the road of capitalism with a *bourgeoisie* dictatorship, would it be possible then for us to travel the road of socialism with a proletarian dictatorship? No, it is just as impossible.—The present task of China's revolution is the task of anti-imperialism and anti-feudalism.—Moreover, the period of the first step is by no means a short one. It is not a matter that can be achieved overnight. We are not Utopians. We cannot isolate ourselves from the actual conditions right before our eyes."¶

Thus, Communist leaders argue that China has not yet reached a stage of development appropriate to the establishment of a socialist state, although such a state is their ultimate goal. Mr. Service was told that many years would elapse before a socialist state could be established. It was said that since China is 200 years behind other countries, she will not be ready for socialism until nearly all other countries have adopted it.\*\*

Dr. Sun Fo, President of the Legislative Yuan of the National government, has apparently accepted the interpretation expressed above. In an interview of November 15, 1944, with American Journalists, he is reported to have said in effect: ". . . the Communists are not foolish people. They know that they cannot attain Communism for a long time to come. They believe in orthodox Marxist theory as the ultimate goal, yes, but they know that China cannot jump from the present backward feudalism into a Communist Utopia overnight. . . . Trying to forestall Communism now, a generation before the problem arises, is childish and academic".††

It is believed by the Communists, of course, that the world trend toward socialism will carry all before it. Thus Chairman Mao in his

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¶ *New Democracy*, by Mao Tse-tung, a pamphlet originally appearing as "The Politics and Culture of New Democracy" in the magazine *Chinese Culture*, Jan. 15, 1940, section IV.

¶ *Ibid.*, section VIII.

\*\*Oral statement to the writer, February, 1945.

††From notes of an interview of Mrs. Jacoby and Mr. White, with Dr. Sun Fo. Embassy files, Chungking. [Omissions indicated in the original memorandum.]

*New Democracy* refers to the Chinese revolution as part of the “proletarian-socialist revolution”, the “new world revolution”, and to world capitalism as having “clearly shown its symptoms of decadence”.<sup>‡‡</sup> Moreover, while socialism is not recommended as an immediate step, it is emphasized that the Chinese state, in the transition before socialism is realized, must control capitalism in the protection of the people’s interest, and that China cannot “construct a capitalistic society of the European or American style”. Wrote Mao in sanguine terms: “Whoever dares act against this direction shall not be able to accomplish his work, and he himself shall find his head broken.”<sup>§§</sup>

While it is not the purpose of this memorandum to describe the attitude of the Chinese Communists with regard to political concepts such as “democracy” a passing reference to these matters seems necessary in view of the close relation between political and economic ideas and policies.

The Communists reiterate their belief in “democracy”. Chairman Mao, leader of the Party, is said to have quoted Mencius with approval: “First the people, then the State, then the Emperor.”<sup>¶¶</sup> Communist literature is filled with references to efforts to enlist popular support, and to achieve an increasing degree of public participation in government affairs. Much is made of the “one to three” principle, under which representation in government should be one third Communist, one third Kuomintang, and one third from other groups. Some difficulty is experienced in following this policy, since there is reported to be a Kuomintang organization in only one of the Border Regions (Shansi–Hopei–Chahar) and its relation to the Kuomintang Party is obscure.<sup>¶¶</sup> Available evidence suggests, however, that a real effort has been made to include non-Communist groups in government.\* In part, this is due to a desire to unite all classes in the war against Japan and ensure political stability in areas dominated by the Communist Party. In part also, it doubtless reflects the frequently expressed belief of the Communists that longer range political and economic progress in China requires the institution of popular and democratic processes.

There is reference to certain democratic “freedoms” in various documents. For example, article 6 of the *Administrative Program of*

<sup>‡‡</sup>Section IV.

<sup>§§</sup>*Ibid.*, section VI. It may well be, however, that Mao does not realize the degree of state intervention in the European and American economies.

<sup>¶¶</sup>Interview with Maurice Votaw, cited above.

<sup>¶¶</sup>U. S. Army Observer Section, report no. 26, Sept. 10, 1944, enclosed with Embassy’s despatch no. 3022, Sept. 27 [29], 1944. [For cited documents, see *Foreign Relations*, 1944, vol. vi, pp. 622 and 623.]

\*In a Communist pamphlet, *The Liberated Regions of China Behind the Enemy Lines*, vol. 1, March, 1945, p. 32, it is stated that the meeting of the Congress of the Provisional Peoples Council of the Shensi-Suiyuan Border Region in October, 1942, included 145 councilors of whom only 47 were Communists.

the Shensi-Kansu-Ninghsia Border Region contains the following: "Safeguard civil rights, political rights, property rights, and rights of freedom of speech, press, assembly, organization, belief, residence and movement of all anti-Japanese people, including landlords, capitalists, peasants, and workers, et cetera, . . ." This document was adopted in May, 1941, by the People's Political Council of the Shen-Kan-Ning Border Region and is said to have become in effect an informal constitution. Similar policies are reported to have been adopted by the other Communist-controlled Border Governments in North and Central China.†

While available evidence suggests strong democratic tendencies in the Chinese Communist Party, particularly when contrasted with current policies of the Kuomintang, a word of caution is necessary. It has been essential, as testified by Communist leaders themselves, to strive for popular support and unity in the areas "controlled" by the Party. The Party has been intelligent enough to recognize the democratic implications of this necessity, and to carry through popular government to an encouraging degree. At the same time, the several Border Governments are dominated by a well organized party, which seems to know what it wants, and how to accomplish its wishes. The people in its areas are predominantly rural, and largely illiterate.‡ Opposing political opinion is unorganized and appears to be extremely weak.

In these circumstances, it may be argued that the Party's professed belief in the various political freedoms which are associated in western countries with democracy, has never been put to a serious test. One does not know the extent to which effective political opposition would be tolerated. In one reference to freedom of the press, Chairman Mao is said to have made an interesting reservation: He is quoted as having said that non-Party newspapers would be welcome in Yen-an and that there would be no censorship (aside from military) *so long as the principle of cooperation and unity were not violated.*§ (Emphasis added.)

The above may be summarized by saying that the Chinese Communists appear to have made a real effort to institute a degree of popular participation in government which is in marked contrast to policies pursued elsewhere in China; that they profess a belief in

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†Enclosure to report no. 47, U. S. Army Observer Section, October 17, 1944. [Not found in Department files.]

‡Lin Tsu-huan, Chairman of the Shensi-Kansu-Ninghsia Border Region, estimates illiteracy at 90 percent. "Report to the Border Region Peoples' Congress", Dec. 5, 1944, in *Our Task in 1945*, p. 23.

§Interview with Guenther Stein, July 14, 1944, as reported in U. S. Army Observer Section report no. 3, July 30, 1944, enclosed with Embassy despatch no. 2923, September 1, 1944. [For despatch no. 2923 see *Foreign Relations*, 1944, vol. VI, p. 536.]

“democracy”; but that it remains unclear to what extent democracy in the Anglo-American sense would be practiced under circumstances different from those now obtaining in the so-called Border Regions.

#### VIEWS REGARDING POSTWAR ECONOMIC POLICY

In writing, or in conversation with Americans, Communist leaders have expressed a number of views with regard to desirable postwar economic policy. It would appear, however, that the Communists have not had an opportunity carefully to map out their policies in this regard. Partly for this reason, and partly because so much necessarily depends on other, and to them external, developments including American, Russian, and general international policy, what follows must be regarded as highly tentative.||

1. *Land ownership and rent control.*¶ Communist leaders in 1944 are reported to have said that land confiscation would not be practiced after the war, but that ownership by the peasants would be achieved gradually, and by the adoption of two types of measures. The first, including policies of rent and interest rate reduction, amelioration of taxes, cooperative cultivation and credit advanced through mutual aid societies, would increase the *purchasing ability* of tenant farmers. The second type of measure, including confiscation of lands of puppet officials, sale of public lands, and the increased willingness to sell of owners subject to rent and interest control, would increase the *availability of land* to tenant classes.

Communist leaders apparently intend to follow a policy of further gradual reductions in rent, partly as a means of inducing landlords to sell to tenants, and also to increase the volume of private investment in industry.

It is possible, however, that the earlier policy of confiscation may be resumed. In 1940, for example, Mao Tse-tung in his *New Democracy* stated that the new China “will adopt certain measures to confiscate the land of big landowners and distribute it to the peasants who are without land or have too little of it . . .”.\*\* Mao more recently is reported to have predicted that civil war would probably bring outright confiscation.††

2. *Industrialization and Economic Planning:* Mao Tse-tung is reported to have said that three forms of industrialization, which, as he pointed out, were mentioned in the manifesto of the First Kuomintang

||It may be, of course, that Communist leaders have been influenced to some extent by a desire to “make a good impression” on Americans. Certainly, the presence of Americans in Yen-an has encouraged them to consider and to express themselves on postwar matters.

¶Based largely on oral statements of John S. Service to the writer.

\*\*Section VI.

††Interview with Guenther Stein, July 14, 1944, cited above.

Congress, will develop in postwar China. These forms are state enterprises, large scale private enterprises, and handicraft industries. Cooperatives will be necessary in rural and distant areas.‡‡

Whereas leaders of the Central Government have stressed the development of "heavy industries" largely for reasons of national defense, Communist leaders are reported to take a different view: The first thing to do is to raise the standard of living of the people. After that can come the "national defense" industry that Chiang talks about in his *China's Destiny*.§§ Moreover, China is not naturally equipped to develop a "heavy industry" economy. There will be no more war; there is no further reason for war. To assume the possibility of war is to create that possibility. Criticism is also expressed of allegedly imperialistic tendencies in the Kuomintang leadership.||

There exists a vaguely expressed belief in "economic planning". Certainly, the Communists would engage in planning in the sense of setting certain objectives and implementing their attainment by deliberate and planned policies. It is not clear, however, to what extent an overall "blueprint" would be formulated closely to govern the development of different kinds of production, including its geographical location.¶¶ In this connection, Mr. Service informed the writer that *laissez faire* ideas are prevalent to a considerable extent. For example, he found it argued that the geographical location of industry should be allowed to develop naturally, the government influencing that development largely through the improvement of transportation and communication rather than through direct control.\*

3. *Government Ownership*: The Government should own "natural monopolies" such as public utilities and railroads. This category does not, however, include petroleum, or the so-called "heavy industries".†

Opposition to "bureaucratic capitalism", especially joint government-private enterprises, is expressed on the ground that such enterprises would be inefficient and would discourage private enterprise and

‡‡Interview of Guenther Stein with Mao Tse-tung, cited above.

§§Statement of Mao Tse-tung to John S. Service, reported in U. S. Army Observer Section report no. 15, August 27, 1944; enclosed with Embassy's despatch no. 3018, September 28, 1944. [For cited documents, see *Foreign Relations*, 1944, vol. VI, pp. 599 and 602.]

||General attitudes of principal Communist leaders as expressed to the writer by John S. Service.

¶¶Mr. Theodore White, American correspondent who spent two to three weeks in Yen-an in 1944, told the writer that in his opinion the Communists would formulate a highly detailed economic plan, and make it work, once they had the necessary technical personnel and information. He advanced no evidence, however, to support his opinion.

\*The Supreme Nat'l Defense Council (Kuomintang) in its recent statement of "General Principles on Economic Enterprises During the First Period of Reconstruction" would control economic development including industry location by formulating a "General Plan for Reconstruction". See Embassy's despatch no. 53, Jan. 3, 1945, p. 1332.

†Based on statements of John S. Service to the writer.



initiative.† The extensive use of government ownership is opposed in the belief that it would prove inefficient, corrupt, discouraging to initiative and hence would not be suited to this stage of China's development.‡

Chairman Mao is reported in an interview to have predicted that in large cities there would be some government enterprise, and large scale private enterprise. He is said to have asserted that Communist proposals to the Kuomintang have included a recommendation that private capital be welcomed, and that present Kuomintang controls be relaxed so that private capital could flourish.§

The above views seem compatible with the ideological position taken by Mao Tse-tung, and referred to earlier in this discussion. At the same time, their *emphasis* on the limitations to State activity at this stage is more marked than any statements in Mao's *New Democracy*. In the latter, it is stated merely that "The economy of China must travel the road of 'restriction of capital' . . . , and should never be monopolized by a minority of the people".||

4. *Trade Policy*: Little information is available regarding attitudes toward foreign trade policy. Party leader Mao Tse-tung, however, is reported to have said that Chinese Communists wish to substitute the principle of free trade between nations for the Japanese principle of colonization of China.¶ Whether this comment had reference only to a policy of non-discrimination in trade, or implied also a belief in low tariffs or "free trade", is not clear.

5. *Foreign Investment*:\*\* Foreign investment is necessary. China cannot provide her own capital and is too poor to force a reduction in living standards, as was done by Soviet Russia. It is recognized, however, that such investment will not occur unless there is assurance of an opportunity to amortize investments, as well as to profit therefrom. Consequently, the State should either guarantee a long period, say 30 years, in which ownership and opportunity to amortize would be

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‡Compare the position recently taken by the Kuomintang (Supreme National Defense Council) which, in a statement of "General Principles on Economic Enterprises During the First Period of Reconstruction", has proposed the establishment of joint enterprises of the Government and either domestic or foreign private capital.

† Based on statements of John S. Service to the writer.

§ Interview with Maurice Votaw, cited above.

||*New Democracy*, section VI, "Economy of New Democracy." The phrase "restriction (or regulation) of capital" is that of Dr. Sun Yat-sen in the *San Min Chu I*. Dr. Sun advocates extensive state ownership. It is not clear to what extent, in endorsing the teachings of *San Min Chu I*, Communist leaders would modify its economic doctrines. Problems of interpretation of elastic phrases make it impossible, in the absence of more precise statements, to be at all certain as to just how far it is intended to go in endorsing the use of private ownership in the initial postwar development of China.

¶ Interview with Guenther Stein, cited above.

\*\*Based chiefly on statements of John S. Service to the writer.

undisturbed, or guarantee public purchase if government policy should change, or both.

Communists told Mr. Service that it was planned to use tax exemption and tariff manipulation to encourage foreign investment. Profits should not be limited since high profits would benefit China by inducing increased investment.

The United States is referred to as the best source of capital and production experience. It is argued that Britain tends to tie strings to its investments, while Russia's own needs preclude her assistance.

6. *The Future Economic Position and Policies of Japan*: The general attitude of Communist leaders, as reportedly expressed by Po Ku†† (member of the Polit Bureau and head of public information), is extremely "liberal": Japan must be given an opportunity for peaceful commercial development and should have access to markets and raw materials. She cannot live entirely within her own islands. Japanese should be welcome in the industrialization of China and should not be discriminated against. They should be given the same opportunities as are afforded other foreigners so long as they do not work against China's interests.

Communism is as impractical in the near future in Japan as it is in China. Japan must progress, for a long time to come, on the basis of democratic capitalism. Accordingly, Chinese Communists abjure such slogans as "down with the capitalists". Power, however, must be prevented from entering in the hands of the few large capitalistic families, who were the willing allies of the militarists.

The postwar economic policies advocated by Japanese Communists, as reported to American observers in Yen-an by Okano Susumu, are said to resemble the views expressed by Chinese Communists and described in this memorandum. A rather detailed program of the Japanese Communist Party, obtained from Okano, calls for a gradual evolution toward socialism, following an initial period of democratic capitalism.†† (Okano Susumu was a member of the Presidium of the Comintern in Moscow, and reached Yen-an in 1943. He is said to be regarded in Yen-an as the representative of the Japanese Communist Party.)

In the opinion of Mr. John Emmerson, Foreign Service Officer attached to the U. S. Army Observer Section in Yen-an in 1944, the Communist Party in Japan has maintained a small underground or-

††John S. Service's memorandum of conversation, Sept. 12, 1944, transmitted with Embassy despatch no. 3092, Oct. 25, 1944. [Despatch not printed: for the memorandum of conversation, see *Foreign Relations*, 1944, vol. vi, p. 586.]

‡‡See U. S. Army Observer Section report no. 24, Sept. 8, 1944, an enclosure to Embassy despatch no. 3021, Sept. 29, 1944. [Neither printed.]

ganization during the war, and is a factor of considerable potential significance in the post-war situation in that country. §§

#### SUMMARY

Judged by the expressed views of her principal leaders, Communist China regards a socialistic state as a goal, to be realized in the rather distant future. That goal is to be achieved through evolution, and prior to its accomplishment China must first reach a much higher level of economic and political development than she now possesses. For a considerable period of time China must employ a system of "democratic capitalism".

Present policies include certain comparatively mild (by western standards) measures of control, including limitations of rent and interest, progressive taxation, the use of tax or other subsidies to aid immigration and desired types of production, and the control of interest rates. Cooperatives are fostered, although earlier methods of compulsion allegedly are being abandoned. Membership in labor unions is encouraged but is not required. Hours of work are limited to ten, and there appears to be compulsory arbitration of wage disputes.

The present policies of Communist China, except as they indicate a willingness to pursue a policy of gradualism, may not be of too great significance in judging the future plans of its leadership. The immediate concern is organization for war in a primitive community, and gaining the support of the people in areas not previously ruled by the Communists. The Regime controls no areas of considerable commercial or industrial importance, and so has not been faced in marked degree by certain economic complexities that can be expected to arise subsequently, if its jurisdiction continues to expand.

With regard to policies for the immediate postwar period, Communist leaders apparently intend to rely rather heavily on private enterprise. Industrialization is said to be viewed as a means of raising the standard of living of the people, rather than of building a defense economy. They stress the necessity of foreign investment to aid in raising the standard of living of a non-militaristic China. While leaders express a belief in economic planning, ideas in this respect are not clearly formulated. Certain views attributed to them appear to be more favorable to private enterprise than those expressed currently by Kuomintang leadership.

The reported views of the Chinese Communist with regard to the treatment that should be accorded Japan are extremely liberal. They profess to be ready to welcome the Japanese on equal terms with other foreigners in effecting the future economic development of China.

§§A despatch dated January 5, 1945. Sent to the Department by Emmerson from New Delhi. [Not found in Department files.]

FE Files, Lot 52-354

*Digest of Yen-an Radio Broadcast as Monitored by the Federal Communications Commission*

SPEECH BY MAO TZE-TUNG, MAY 1, 1945

Yenan, May 1—"On the Coalition Government" was the title of the political report given by Chairman Mao Tze-tung, leader of the Chinese Communist Party to the Seventh Congress of the Chinese Communist Party.

Mao Tze-tung pointed out that the "unification of all parties and groups and non-party representatives to form a provisional democratic coalition government so as to carry out democratic reform to overcome the present crisis, mobilize and unify the national forces of the war of resistance to effectively collaborate with the Allies in fighting and defeating the Japanese aggressor, and to secure the thorough liberation of the Chinese are the basic demands of the Chinese people at present".

NATIONAL ASSEMBLY

China needs a coalition government, said Mao Tze-tung, not only during the war but also after the war. "After the victory of the war of resistance, the National Assembly based on a broad, democratic foundation should be called to form a regular democratic government of a similar coalition nature, embracing more broadly all parties and groups of non-party representatives. This Government will lead the liberated people of the entire Nation to build up an independent, free, unified, prosperous and strong new country. After China has had a democratic elective system, the Government should be a coalition working on the basis of a commonly recognized new democratic program no matter whether the Communist Party is the majority or minority party in the National Assembly".

IMMEDIATE FORMATION

Mao Tze-tung repeatedly urged the necessity of immediate formation of a coalition government. One party dictatorship, dictatorship of the anti-population [*sic*] group within the Kuomintang, said Mao Tze-tung, is not only "a fundamental obstacle to the mobilization and unification or the strength of the Chinese people in the war of resistance, it is also the [colossal] embryo of the civil war".

If such dictatorship is not abolished and replaced by a democratic coalition government, then "not only will it be impossible to carry out any democratic reform within the Kuomintang-controlled areas and mobilize all the people and army there effectively to collaborate with the Allies thoroughly to defeat the aggressors, but it will also lead to a calamity as [words missing] war".

## SIGNS OF CIVIL WAR

Mao Tze-tung pointed out: "The principal ruling clique within the Kuomintang is still upholding the reactionary policy of dictatorship and civil war. Many signs disclose that they have been, and especially now, are preparing to launch a civil war and are only waiting till certain Allied troops have driven the Japanese from certain parts of China. They also hope that the Allied commanders will in China enact the role of Gen. Scobie<sup>24</sup> in Greece. They hail and welcome the work of slaughter committed by Gen. Scobie and the reactionary Greek government".

## MOCKERY OF DEMOCRACY

Speaking of Kuomintang authorities who talk of "convoking a national assembly to return the reins of the Government to the people" and yet refuse a coalition government, Mao Tze-tung called this "a mockery" of democracy. He exposed the dark designs of the reactionary clique within the Kuomintang as that of "being bent on convoking a so-called 'National Assembly' entirely under its thumb which will [push] an anti-democratic so-called 'constitution', maintaining dictatorship.

"This will enable it to put up a show of 'returning the reins of government to the people' by putting on a cloak of 'legality' on the illegal so-called 'national' government without popular support, clamped on the Chinese people through appointment by only several dozens of Kuomintang members. There will then be an excuse for issuing punitive orders against anyone who disagrees".

Issuing a serious warning against such an action of the Kuomintang authorities, Mao Tze-tung said "popular heroes stand in danger of pushing themselves into a blind alley". At the same time he also declared that "Whenever the Kuomintang Government abandons its erroneous policy, at present in force, and consents to democratic reform, we are willing to resume negotiations with it. But such negotiations must be based on a general policy of the war of resistance, unity, and democracy. We can never agree with any measure, proposition or other empty talk which departs from this general policy, no matter how well they sound".

In order to promote the setting up of a coalition government, Mao Tze-tung proposed to the liberated areas that "a conference of people's representatives in [all] of liberated China should be called in Yenan as soon as possible to discuss the unification of [action] of all liberated areas, [lead] the anti-Japanese democratic movement of the people in Kuomintang-controlled areas and the underground movement of

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<sup>24</sup> Lt. Gen. Sir Ronald MacKenzie Scobie, General Officer, commanding Allied Forces in Greece from 1944.

the people in the occupied areas, and promote the unity of the entire Nation and formation of a coalition government”.

### TWO COURSES OPEN

In analyzing the concrete conditions in China's anti-Japanese war, Chairman Mao Tze-tung pointed out that for a long time there has obviously been two courses in China. These are, he said, “the course of the Kuomintang Government which oppresses the people and passively carries on armed resistance, and the course of the Chinese people who have awakened and united to get her to carry out the peoples war”.

### CONTRAST IN AREAS

In order to explain clearly these two diametrically opposed courses, Mao Tze-tung vividly compared and contrasted the liberated areas and the areas under Kuomintang rule. He said: “The Chinese liberated areas now extend to over 906,000 square kilometers with 95.5 million population. In these vast liberated areas all essential policies of the anti-Japanese national united front have been put into force, and popularly elected governments, through cooperation between [words missing] and the representatives of other parties and groups have been set up or are in the process of being set up. These are really local coalition governments which have mobilized the entire people”.

### DEMOCRATIC PATTERN

He also said: “Chinese liberated areas have become a democratic pattern for China and the center of gravity for cooperation with our allies to drive out the Japanese aggressors and to liberate the Chinese people. The troops in the liberated areas have expanded to 910,000 and the people's volunteers to over 2,200,000. These troops have become the main force in the war of resistance, and as soon as they receive modern equipment they will become still more invincible and able finally to defeat the Japanese aggressors”.

In areas under Kuomintang rule, on the contrary, as a consequence of the anti-popular and anti-democratic policies of Kuomintang authorities, “there were military defeats, loss of huge territories, and economic as well as financial crises. These gave rise to a serious crisis of the people, reduced to the hardest life, people complaining loudly and insistently and people staging revolts. Kuomintang troops have been reduced by more than half their strength”.

### BATTLEFRONTS

As [to?] the conditions in the battlefronts in Kuomintang-controlled areas and liberated areas, Mao Tze-tung pointed out that since 1939 the Japanese aggressors' bayonet has mainly been pointed at the liber-

ated areas. In 1945, 64 percent of the Japanese forces invading China and 95 percent of the puppet forces in China were opposed by troops in the liberated areas.

In 1944 the Japanese aggressors launched a war for effecting a through continental line and found Kuomintang troops devoid of the power of resistance. It was only at this period that some changes occurred in the proportion of the share in armed resistance by the two above-mentioned battlefronts. However, even at present, troops in liberated areas are still opposing 56 percent of the Japanese troops invading China, while there is absolutely no change in the proportion of the puppet troops they are opposing.

#### PUPPET TROOPS

Mao Tze-tung pointed out that among the 800,000 puppet troops the majority were entire units that went over to the Japanese under Kuomintang officers or were organized by Kuomintang officers who had gone over. Kuomintang reactionary elements are supporting these puppet troops morally and organizationally in order that they may cooperate with the Japanese aggressors to attack Chinese liberated areas. Besides, these reactionary elements mobilized a large number of troops to blockade and attack the Shensi, Kansu, and Ninghsia border region and other liberated areas. These troops reached the number of 797,000, and even now they have not been reduced.

Many Chinese and foreigners never heard of such a serious situation in China because of the Kuomintang news censorship policy. Mao said: "Many people only know that there is a Mihailovich in Yugoslavia, but they never knew that there were scores of Mihailovichs in China."

Concerning these two courses, Mao Tze-tung drew the following conclusion: "One is the course of victory, in spite of the fact that it is carried on under such adverse conditions as in the liberated areas, absolutely without outside help. The other is the course of defeat, even though it is carried on under such extremely favorable conditions as in the Kuomintang-controlled areas aided by foreign supplies."

S93.00B/5-145

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*Memorandum by Mr. Everett F. Drumright of the Division of  
Chinese Affairs*

[WASHINGTON, May 1, 1945.]

It seems clear that Mao Tse-tung's report "On the Coalition Government"<sup>25</sup> merits our close study.

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<sup>25</sup> *Supra.*

In this report, Mao continues the current Communist strategy which is to discredit the Kuomintang and, by contrast, to laud the achievements of his own regime. Pursuing the line of a despatch appearing recently in a Moscow newspaper, Mao even goes so far as to refer to the "scores of Mihailovichs in China". Mao continues to advocate the formation of "a provisional government". It appears to be Mao's concept that such a "coalition government" would involve the inclusion of all parties and groups, none of which would have final responsibility.

Although the Communists have constantly urged the implementation of a "democratic program" and profess to have established such a "democratic coalition" system in areas under their control, Mao makes it very plain in his report that the Communists will completely dissociate themselves from the "National Assembly" which the Kuomintang proposes to convoke in November 1945. Mao describes the projected convocation of the National Assembly as a "mockery of democracy" (perhaps with a good deal of basis), asserting that it is the intent of the Kuomintang to enact an "anti-democratic constitution" and so maintain its "dictatorship". Mao goes so far as to term the National Government "illegal"; he alleges (and perhaps correctly) that the projected constitutional government will be utilized to issue "punitive orders against anyone who disagrees["] (presumably a reference to the Communists).

In lieu of the Kuomintang plan for the convocation of a National Assembly in November, Mao calls for the early formation of a "coalition government" to be followed after the war by a "National Assembly based on a broad democratic foundation . . .<sup>26</sup> called (by) . . . a regular democratic government of a similar coalition nature . . ." He advocates the continuance after the war of a "coalition government . . . no matter whether the Communist Party is the majority or the minority in the National Assembly".

To promote the setting up of a "coalition government", Mao proposes that "a conference of people's representatives in (all) of liberated China should be called in Yen-an as soon as possible to discuss the unification of all liberated areas . . .". In the event that Mao is unable to achieve his object of the formation of a "coalition government", it is probable that the occasion of the proposed meeting at Yen-an will be utilized to set up a wholly separate and independent regime in Communist-controlled areas.

Particularly worthy of attention from the point of view of the United States and Great Britain are Mao's remarks that the "principal ruling cliques in the Kuomintang" (which incidentally includes

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<sup>26</sup> Omissions indicated in the original memorandum.



the Generalissimo) “hope that the Allied Commanders in China (will) enact the role of General Scobie in Greece. They hail and welcome the slaughter committed by General Scobie and the reactionary Greek Government”. By “Allied Commanders in China”, Mao apparently has reference to General Wedemeyer and other American commanders. His reference to General Scobie and his activities in Greece is not likely to meet with a favorable reception in British quarters.

Mao's report, as carried by FCC, further dims any hopes that may be held for the achievement of Chinese internal unity in the foreseeable future. Indeed, there may be read into his report a hint of defiance with respect to the policies being pursued by the United States in China. Certainly, Mao's attitude, as reflected in his report, is not conducive to the harmonious settlement of the division between the Kuomintang and the Chinese Communists.

893.00/5-345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 3, 1945—6 p. m.

[Received May 3—11:18 a. m.]

719. While all Chungking papers carried accounts of my press conference on April 29 [28],<sup>27</sup> only two have commented thereon. Summaries of these comments are as follows:

1. *Kuo Min Kung Pao* utilized occasion to urge increased freedom of speech and press and early recognition of other political parties. DSP [?] also urged that more detailed preparations be made for meeting of National Congress on November 12 “after which we shall be citizens of a democratic country”. Editorial stated that China must have suffered incalculable losses simply because of [apparent omission] news reporting and expression of public opinion which has put the Chinese people in “a half blind and half deaf style with regard to the shape and form of their own country, even in this age of telegraph and radio communication”. Paper further stated that China urgently needs democracy and unity and will even more so after war; “unless a democratic and united China emerges, our war of resistance will have been fought in vain and our ambitious hopes for national reconstruction will be crushed.”

2. *Hsin Hua Jih Pao* published item in translation of OWI<sup>28</sup> English version of press conference instead of using brief Central News Agency translation as did all other papers. Accompanying editorial declared that my statement with regard to armed political parties

<sup>27</sup> See telegram No. 722, May 4, from the Ambassador in China, p. 374.

<sup>28</sup> Office of War Information.

was at variance with facts; that Chou En-lai had telegraphed me requesting Communist representation at the San Francisco Conference only after I had suggested to Chou that Communist [apparent omission] on the Chinese delegation would have a beneficial effect and that Chou approached [apparent omission] mediate with the Central Government. Editorial also stated that when I came to China "under orders of the late President Roosevelt to advance democratic union of all anti-Japanese military forces in China and to mediate in the relations between the Kuomintang and the Communist Party", I approached the Communists first rather than vice versa. (This assertion is apparently false as I received several telegrams from General Chu Teh inviting me to visit Yen-an before I finally acceded to his request. This fact, however, may not necessarily be known to the local Communist paper.) Paper stated further that I "once approved of a democratic coalition government in order to obtain true unification of China. For this we should be deeply thankful." (This statement is true.) However, editorial continued in view of important part played in war of resistance by the Communist Party, one delegate and two attachés out of Chinese delegation numbering 75 persons to the San Francisco Conference are "wholly insufficient". (With this I also agree but I am, of course, not in a position to criticize National Government. The fact remains however that I did obtain for the Communists representation at San Francisco.)

Notwithstanding the above references, the general tone of the editorial is not unfriendly.

Sent to Department, repeated to London and Moscow.

HURLEY

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893.00/5-345

*Mr. John K. Emmerson, Foreign Service Officer, to the  
Secretary of State*<sup>29</sup>

COLORADO SPRINGS, COLORADO, May 3, 1945.

SIR: I have the honor to enclose a memorandum of an informal discussion held in San Francisco on April 28 with Mr. Chen Chia Kan, member of the Chinese Communist Party and one of the advisers in the Chinese Delegation to the World Security Conference now in session.

During my sojourn in Yen-an I became personally acquainted with Mr. Chen Chia Kan who was assigned as one of the interpreters to

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<sup>29</sup> Mr. Emmerson, formerly Second Secretary of Embassy in China, was assigned to the Department for consultation from April 4, was on detail with the War Department from April 4 to April 30, and at the date of this writing was on leave from his official duties.

the American Military Observers Section. He has acted as private secretary to Mr. Chou En-lai, Vice-Chairman of the Communist Party and accompanied him to Chungking at the time of the negotiations conducted by the Central Government and the Communist Party.

No new light is shed on the Chinese situation by the remarks recorded in the closed interview. Nevertheless I believe it is of interest to note the general attitude toward Soviet Russia. Mr. Chen Chia Kan said he could not conceive of any fundamental conflict arising between Soviet Russia and the Chinese Communists. He made no criticism of Soviet foreign policy, either in the past or at present, but took pains, as usual, to point out the independence of the Chinese Communists in their execution of policy. He could not imagine a conflict of policy with Russia over Manchuria but affirmed that the Chinese Communists would never agree to the transfer of Manchuria or Outer Mongolia to any foreign nation.

After our luncheon together, Mr. Chen Chia Kan introduced me to the Communist delegate, Mr. Tung Pi Wu. The latter expressed the keenest interest in the future course of American policy toward China. [Chen] Chia Kan had told me previously that they hoped during their stay in the United States to get a clearer picture of what the attitude of the United States toward China was, and especially to learn whether there was any intention of making landings on Communist-controlled Chinese coast.

Respectfully yours,

JOHN K. EMMERSON

[Enclosure]

*Memorandum of Conversation, by Mr. John K. Emmerson,  
Foreign Service Officer*

[SAN FRANCISCO, April 28, 1945.]

I asked Mr. Chen Chia Kan whether he thought the Central Government had changed its attitude toward meeting the demand of the Communists for a coalition government since I had seen him in Yen-an in January. He replied in the negative. The Chinese Communist Party will not support the National Assembly to be convoked in Chungking in November on the grounds that it is the creation purely of the Kuomintang and will not be representative of the people of China. However, the policies of the Communist Party are now being decided in Yen-an by the meeting of the Party which had not concluded when he left China.

The Chinese Communists are not prepared to accept the draft constitution for China. I asked about the phrase "according to law" which appears to restrict or nullify the guarantees of freedom of

speech, religion, etc., considered fundamental in the American Bill of Rights. A prominent Chinese had explained to me, I said, that the phrase had been incorrectly translated into English, that in the original Chinese it did not possess this restrictive meaning. Chia Kan said that the English translation was correct. He said the Communist Party opposed Chiang Kai-shek's principle of "government by law" as expounded in his *China's Destiny*.

Our conversation then centered on the subjects of Russia and the differences in Chinese and Russian Communism. Russian policy to him was clear: Russia was willing to join the world security organization but at the same time wished to guarantee her own security in her own way.

Chia Kan said that all Communists accept the same philosophy, the same doctrines, and the same ultimate goal. They differ, however, in their policies, and programs. The Chinese Communists are now carrying out the "New Democracy" which does not follow the Russian system but on the contrary encourages the institution of private property and private enterprise. I asked him whether he then saw the likelihood of a conflict between the policies of the U. S. S. R. and the Chinese Communists. He replied that he did not believe any *fundamental* conflict would ever arise; there might be differences over minor issues and the application of policies.

I inquired regarding the attitude of the Chinese Communists at the time of the signing of the German-Russian Non-aggression pact<sup>30</sup> and again on the occasion of the Soviet-Japanese Neutrality Pact.<sup>31</sup> He replied that the Chinese Communist Party had taken the stand that Soviet foreign relations were Russia's affair and it was not for the Chinese to blame another country for its diplomatic acts. The Chinese Communists had consistently opposed German fascism and Russia's non-aggression pact did not change this attitude. In the case of the Soviet-Japanese Neutrality Pact, the Chinese Communists did not blame the Soviet Union for this act. It was obvious that the Russians needed to secure their eastern front so they could concentrate on the war against Germany. The Chinese were fighting the Japanese and continued to fight them unrelentingly but they did not oppose the U. S. S. R. for the policy it had taken.

It is of interest, incidentally, that with reference to the Soviet-Japanese pact, David J. Dallin in his book *Soviet Russia's Foreign Policy, 1939-1942*, remarks: "The Chinese Communists, fearing treachery on Moscow's part, never even referred to it."

<sup>30</sup> August 23, 1939; Department of State, *Nazi-Soviet Relations, 1939-1941* (Washington, Government Printing Office, 1948), p. 76.

<sup>31</sup> April 13, 1941; Department of State *Bulletin*, April 29, 1945, p. 812; see also telegram No. 763, April 13, 1941, 11 p. m., from the Ambassador in the Soviet Union, *Foreign Relations*, 1941, vol. iv, p. 944.

Chia Kan said he thought there never would arise a conflict over Manchuria between Russia and China. The position of the Chinese Communist Party had been made clear repeatedly: all lost territory must be returned to China, including Manchuria. The Chinese Communists would never consent to the transfer of Manchuria to Soviet Russia or to any other country. Furthermore, he stated, the Chinese Communists want Outer Mongolia to be part of China.

I pointed out that there seemed to be one fundamental conflict in the application of Communism in Russia and China. The Chinese Communists opposed a one-party dictatorship and advocated the 3-3 principle, which meant equal representation for Communists, Kuomintang, and third parties. Soviet Russia was a government which tolerated only one party. Chia Kan admitted that this was true and referred again to the "New Democracy" as the particular policy now being put into effect in Communist areas in China.

As is usual in conversations on the subject of Russia, Chia Kan stressed the fact that none of the "Big Three" of the Chinese Communists: Mao Tze-tung, Chu Teh, and Chou En-lai, had been educated in Moscow, and that the Central Government of China had received far more aid from the Russians than had the Yen-an regime. He knew none of the members of the Russian delegation to the Security Conference and his group had had no contact with them. The Chinese Communists wanted friendly relations with all nations, for example, they hoped for a friendly Japan after the war.

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FE Files, Lot 52-354

*Memorandum by Mr. John S. Service*<sup>32</sup>

[WASHINGTON,] May 4, 1945.

Mao Tse-tung's May 1 speech<sup>33</sup> should be regarded as being of special significance. Made by the Chairman of the Communist Party to the long-awaited Communist Party Congress, it is an official and definite statement of that Party's policy. Based on this high authority, it publicly establishes a position from which retreat will be difficult.

In general the speech is a continuation of the Communist line since September, 1944: the demand for the end of the Kuomintang one-party rule through the establishment of a coalition government. This is now supplemented by opposition to the convening of the National Congress before the end of the war (on the ground that the Kuomin-

<sup>32</sup> Mr. Service, formerly Second Secretary of Embassy in China on detail to Yen-an, had been recalled to the Department.

<sup>33</sup> See digest of Yen-an broadcast monitored by the Federal Communications Commission, p. 362.

tang would monopolize such a meeting and might use it as an opportunity to declare such opposition groups as the Communists to be rebels).

The tone of Mao's speech is more restrained than that of some recent Communist statements and there is no personal attack on Chiang (possibly indicating Communist awareness that the violence of the Communist reply to Chiang's March 1 speech did not make a favorable impression abroad).<sup>34</sup> There seems to be an attempt to appeal to liberal groups in Kuomintang China by limiting criticism to the "ruling" and "reactionary" clique of the Kuomintang. Also, care is taken to leave the door ajar (and avoid blame for unwillingness to negotiate) by the statement that the Communists are willing to resume negotiations whenever the Kuomintang "abandons its erroneous policy . . ."<sup>35</sup> and consents to democratic reform". This is, however, qualified by a refusal to listen to "empty talk" (the common Communist characterization of the proposed powerless, consultative "war cabinet" and other Kuomintang offers for which Ambassador Hurley has permitted himself to be the transmitter).

A definite step forward in Communist policy is the proposal to call a conference of "people's representatives" at Yen-an to discuss: (1) unification of action of all liberated areas; (2) *leadership of the anti-Japanese democratic movement of the people in the Kuomintang-controlled areas* and the underground in the occupied areas; and (3) promotion of the unity of the entire nation in formation of a coalition government. This is the first public statement of this long considered Communist move. Mao emphasized to me in conversation at the end of March that this body would be consultative only and should not be considered a "government". But the threat of the possibility of its becoming an independent government is obvious.

Also to be noted are the accusation that the Kuomintang will start civil war when "certain Allied troops have driven the Japanese from certain parts of China" and the reference to General Scobie in Greece. The Communists make no secret of their preparations and determination to attack large Japanese occupied cities, such as Shanghai, which their guerrillas now surround, and expect the Kuomintang to try to involve American forces in its own attempt to gain control of the same cities.

Figures of Communist strength (910,000 regulars, 2,200,000 militia and 95,500,000 population) are a moderate increase over statistics for January and indicate continued active building up of Communist strength.

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<sup>34</sup> For Chiang's speech see telegram No. 343, March 2, from the Chargé in China, p. 254; for the reply of the Chinese Communists, see memorandum by Mr. Julian R. Friedman of the Division of Chinese Affairs, March 8, p. 265.

<sup>35</sup> Omission indicated in the original memorandum.

The fact that the speech does not differ from Mao's statements made to me in March (reported in my reports nos. 10 and 26 from Yen-an<sup>36</sup>) would seem to indicate that the Communists' increasingly strong and independent policy has not been favorably influenced by subsequent events: the token representation given the Communists at San Francisco; Ambassador Hurley's return to China after what the Communists regarded as his threatening press statement on April 2 (in which the Communists considered that he dismissed them as a rebel, armed party and reaffirmed American policy as committed to the support of the Central Government alone); and Ambassador Hurley's visits to London and Moscow and his subsequent statement of American-British-Russian agreement regarding China.

893.00/4-1245

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*Memorandum by Mr. John S. Service*

[WASHINGTON,] May 4, 1945.

The attached article by Wang Yi-fei<sup>37</sup> should, in my opinion, be largely discounted. It is written by a "renegade" Communist now working for the Kuomintang. It is of the same general type as the material on conditions in the Soviet Union which used to emanate from Riga and other centers of "White Russian" activity. An indication of its lack of veracity is the completely false statement in the first paragraph that Chen Shao-yu (Wang Ming) and Chin Pang-hsien (Bo Ku)<sup>37a</sup> have been imprisoned. Wang Ming has been ill but is still a member of the Politbureau. Bo Ku is the active head of Communist propaganda and was one of the men whom the Communists asked to have included in the San Francisco delegation.

The Chinese Communist Party, like the Russian, has of course gone through a number of internal conflicts. Probably, because of the ups-and-downs of the Chinese Party (cooperation within the Kuomintang, cooperation with the Left Wing of the Kuomintang, a long and desperate civil war, then adoption of a United Front policy), these conflicts have actually been greater than in the Russian Party. But it seems significant that neither I nor any of the other foreign observers who have spent time at Yen-an have been able to find any substantiation for these common Kuomintang claims that any important splits or factions exist among the Communists at the present time. To the contrary, all direct evidence indicates that the Party is

<sup>36</sup> March 13 and April 1, pp. 272 and 310, respectively.

<sup>37</sup> Not printed; it was dated April 25, 1944, entitled "Factional Strife Inside the Chinese Communist Party", translated from "Party Doctrines Research" by the British Ministry of Information at New Delhi, India, and transmitted to the Department by the Embassy in the Soviet Union in its despatch No. 1622, April 12.

<sup>37a</sup> Also known as Po Ku.

now strongly united under the leadership of Mao Tse-tung and supports the conclusion (stated to me by many Communist leaders, including Bo Ku) that in the face of the obvious and spectacular rise of the Party under Mao there is no likelihood of change either in leadership or policy. Without exception, Communists agree that the development of events have proved Mao right and that his position has never been stronger.

Furthermore, all Communists refute the suggestion that the Soviet Union can have any disagreement or dissatisfaction with Mao's successful leadership and his moderate, united front, coalition government policies. Communists also emphatically refute the suggestions: (1) that Moscow may "leave them out on a limb" by a direct deal with Chungking, or (2) that civil war—in which they admit they will seek Russian support—will cause them to abandon their present moderate, united front policy in favor of radical "Soviet" policies and leadership. Their argument here is that experience has proved that their moderate policies have been successful in winning the support of all groups in their areas (except for the wealthiest landlords, who have already gone over to the Japanese) and are therefore the strongest weapon against the Kuomintang. To take the opposite extreme course would reduce them to fighting a peasant revolt (a "Jacquerie"), which by the Marxist books is never successful.

Adequate analysis of the attached article would require detailed consideration of the history of the Communist Party and its recent active self-criticism and reform (to which the author refers). I have extensive notes and Communist published material on these lines but have never had the time to devote to the exhaustive report that would be required.

It should, however, be noted that the conclusions of the article, which are: (1) "factional strife within the Communist Party is now raging with all ferocity", and (2) the Communist Party will break up when the war turns in our (the Kuomintang's) favor, seem at complete variance with the obvious fact of continued rapid Communist growth and Kuomintang decline.

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893.00/5-445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 4, 1945.

[Received May 4—12:20 p. m.]

722. Following is full transcript of my remarks made at press conference on April 28:

"Gentlemen, I am happy to be back in China and to be with you this morning. I really have very little news for you. I gave an



interview in Washington which I understand you have seen.<sup>38</sup> I have endeavored to convince everyone concerned that we should loosen up a little on getting news out of China. In my opinion, if the news of China could flow more freely and more completely to the public it would be beneficial to China.

"The second matter I want to talk about is in regard to the armed parties in China. The Chinese Communist Party, for which I have a very deep respect and whose motives I believe are good, sent a wire to me, asking that that party be represented at the San Francisco Conference.<sup>39</sup> I responded<sup>40</sup> that, in my opinion, the San Francisco Conference was a conference of nations, not of political parties, and I suggested that if the Chinese Communist Party desired representative at San Francisco, it should apply to the National Government of the Republic of China, which is a member of the United Nations and is recognized as the government of China by all of the United Nations. I suggested that it would be a good thing if the Chinese Communist Party could be given membership on the Chinese delegation at San Francisco. This was done. The Chinese Government did offer appointment to a member of the Chinese Communist Party; the appointment was accepted and a Communist is sitting on the delegation of China at San Francisco at this time. I think that this is a good sign. We are all happy because of the action taken by the Chinese National Government and the acceptance of that action by the Chinese Communist Party.

"The next matter is a matter that a representative of another nation should not be too free to discuss. It is clearly a matter for the Chinese people and the Chinese Government itself—that is, in regard to unification of the military forces of China.

"On the question of unification of the military forces of China that is a matter, I have said, for the Chinese Government and the Chinese people. We are in favor of unification of all the anti-Japanese military forces in China. We believe, however, that the method of unification and the approach to the subject are matters for the Chinese themselves. We have insisted that in these internal matters the Chinese must furnish their own leadership, make their own decisions and be responsible for their own policies. We do, however, endorse all of the efforts for unification of the military forces and we do endorse the inspirations [*aspirations?*] of the Chinese people to establish for themselves a united, free, democratic China.

"General Wedemeyer will be here in a moment and I understand that questions have been raised concerning differences of opinion between General Wedemeyer and myself on policy. No such differences exist. To prevent misunderstanding, I have asked General Wedemeyer to attend this conference."

[Q.] "Did you see Mr. Molotov in Moscow?"

A. "Yes. I also saw Marshal Stalin in Moscow.<sup>41</sup> I may also say that I saw Mr. Eden and Mr. Churchill in London. I also saw Secre-

<sup>38</sup> See transcript of press and radio news conference by Ambassador Hurley on April 2, p. 317.

<sup>39</sup> See telegram No. 409, March 12, 8 a. m., from the Chargé in China, p. 268.

<sup>40</sup> See telegram No. 446, March 14, 8 p. m., to the Chargé in China, p. 279.

<sup>41</sup> See telegram No. 1212, April 17, 7 p. m., from the Chargé in the Soviet Union, p. 338.

tary Stettinius and President Roosevelt in Washington. I discussed the Chinese situation and Chinese policies with all of these gentlemen and, I might say, for the present that all of these nations are in agreement on an overall Chinese policy and that they all are anxious for China to work out her own destiny in her own way. The feeling toward China among all of the United Nations is more friendly."

[Q.] "Will you tell us briefly, Mr. Ambassador, what you have been doing in the past week since you returned to Chungking?"

A. "I am afraid it would be very uninteresting. I have not done very much. I had a multitude of subjects that I have been working on before my departure and I have been working on them." (General Wedemeyer arrived.)

General Hurley: Addressed General Wedemeyer. "I have just been asked the question as to what I have been doing since my return to Chungking and I have said that I have not been doing anything interesting. A recitation of my daily routine would not be very interesting. I had a multitude of subjects that were hangovers, that I had been working on before I left, and they have had to have my attention. I have seen General Wedemeyer frequently during the period. I have seen the Generalissimo once."

Q. "In view of your peculiar or, should I say, unquote [*unique*?] record in the past in China, may we ask if you are going to take up the Communist question again?"

A. "It might be better for you not to indulge in assumptions. I am not a prophet nor the son of a prophet. I do not read the future. You will have to do what I have to do. You will have to wait for the future.

"Any further questions: I will repeat for the benefit of General Wedemeyer and the record the three points I have discussed. First, I discussed the advisability of permitting more news to emanate from China, so long as it does not interfere with the conduct of the war or give aid to the enemy. Second, I then discussed briefly the position we had taken in regard to the armed parties in China. I said that the Communist Party wired me asking that I arrange for that party to have representation at the San Francisco Conference. I responded to that telegram by saying that, in my opinion, the San Francisco Conference is a conference of nations, not of political parties, our Government concurred in that statement of principle. At the same time I suggested that it would be desirable and, in my opinion, proper for the Communist Party to apply to the National Government of the Republic of China for representation on its delegation to San Francisco. The Chinese National Government did offer an appointment on the delegation to a Communist. The Communist accepted and is now one of the delegates [of] the Chinese Government in San Francisco. I told the gentlemen that I thought that was a step in the right direction and, in my opinion, showed a greater degree of concerted action than anything that had taken place between the Communist Party and the National Government of China. I stated that it is not only our desire, but the desire of every one of the United Nations, to see a unification of all the anti-Japanese military forces in China, united for the purpose of driving the invader from China. Therefore we approve and will assist every reasonable effort that is made toward the unification of the military forces. Finally all the United Nations, of which China is one, endorse China's aspirations for a free, united,

democratic China. I have made this statement before and I have repeated it and the policies toward China in Washington, London and Moscow and found all in agreement on the Chinese policy."

Q. "You say that you discussed the Chinese situation and the policies toward China in Washington, London and Moscow and found all in agreement on the Chinese policy. Could you tell us something about your discussions?"

A. "I have stated the policy and the fact that the United Nations are in agreement on that policy. I have stated, first, greater flow of news; second, approval of unification of armies; third, endorsement of China's aspirations for a free, united, democratic China. I have stated that as the policy. Tell me what you want to know. Ask me a specific question and I will try to answer it. But I have stated the policy and that we are in agreement on it. I do not know anything else I can add. If you ask me a specific question on any phase of it, I will try to answer it, however."

Q. "May I ask what the Russian attitude is toward the Chinese Communist situation?"

A. "Have you gentlemen a copy of the interview I gave in Washington? That stated what I understand to be the Russian attitude, and I might say that it has been concurred in by Mr. Molotov. However, the Russian Ambassador<sup>42</sup> arrived here yesterday, and I think that in deference to my colleague, I should let him state the Russian attitude toward the Chinese Communists. Don't you think that is fair?"

"Any other question? I want to answer any questions you have. I sincerely desire to work ourselves into a position where all the facts concerning China may be given to the world. I believe in freedom of the press, freedom of speech and freedom of radio, with one very important exception: that is, that nothing should be permitted to be said that would be of assistance to our enemy and any political matters that might conflict with or have a disastrous effect on the military operations. After all we are at war and we are in a war theater and our first and primary responsibility is to the theater commander in this area. We will not take any action at any time that will interfere in any way with military operations against the enemy."

Q. "Have you received from the Chinese any indication of their attitude on the freedom of the flow of news from China?"

A. "I had been talking on this subject before I left here. And, again, that is like talk on the Russian attitude. The Chinese can answer that better than I can. The Chinese have a Ministry of Information, and I think I should permit them to make their own statement about China's attitude on more liberal censorship. I had discussed this problem on numerous occasions before I left and I might say that I talked to both Dr. Soong and Dr. Wang Shih-chieh. I had indications of their desire to liberalize the censorship as far as possible in view of the military situation which made it essential that certain information not be given to the enemy."

Q. "Does that agreement on China which you discussed in the capitals embrace the future of Manchuria?"

A. "I would not make any statements on a subject of that kind at this meeting."

<sup>42</sup> A. A. Petrov.

"Anything else, gentlemen? Now, I would like to ask again, are there any Chinese present who have not understood? If you have not understood all that has been said, that notes will be transcribed and will be made available to you. We want everyone to understand everything that has been said.

"Wish to say that I am very grateful to all of you gentlemen for having come here this morning. I do not know how much of this interview will pass the censorship. It will have to go through both Chinese and military censorship, to which I submit completely, but I want to get myself on a more understanding basis with the press. I want you to know what we are doing and to understand our motives.

"One thing more: a rumor has got to me which I think I should discuss frankly. Some reporters have come to me both here and in Washington regarding rumors that General Wedemeyer and I were separated on certain things with respect to policy in China. General Wedemeyer and I have had complete discussion and arguments concerning our respective missions here, but if there were ever two men who see eye to eye, we do, and we have been in complete accord from the very beginning and we still are in agreement.

"Any further questions? Thank you, gentlemen."

General Wedemeyer, who also attended conference, then commented to reporters, as follows:

"There is just one point. One [or?] two of you have dropped in to see me since my return from the States and there apparently is a rumor going around that a change has been made in the military plans as a result of my trip, and I want to tell you frankly that it is not so. My plan is completed. It [is] very simple and visualizes concentration of American and Chinese efforts so that we can deal offensively against the enemy. I have no control over enemy action or acts of God on my military mission. My plan is simple. Visualizes concentration of effort. Back home every one was enthusiastic and most cooperative concerning that plan and they are supporting it to the hilt. The President, the American Chiefs of Staff and the heads of all the agencies with whom I had contact assured me that everything will be done to implement that plan. It has been presented to the Generalissimo and Minister of War and they [are] all in full agreement and are cooperating, as far as I can observe, 100 percent. There has been no change in plan at all. I am sorry that such a rumor got around. That rumor has no basis in fact at all."

Sent to Department. Repeated to London and Moscow.

HURLEY

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893.00/5-745: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 7, 1945—5 p. m.

[Received May 7—1:30 p. m.]

735. It is of interest that the Generalissimo in his opening address (Embassy's telegram No. 736, May 7, 6 p. m.<sup>43</sup>) made no direct reference

<sup>43</sup> *Infra.*

to the Communist program although (see point 3 and final paragraph of summary) he obviously did nothing to close any door against communism. He has recently held two conferences with me on the subject of unification of all anti-Japanese armed forces in China and states that while the situation is not moving as rapidly as desired, progress with the Communists is being made. Furthermore the Generalissimo continues to promise a satisfactory solution. No public statement has been issued on this subject.

Such public comment on the inauguration of the sixth Kuomintang conference as has appeared thus far in the local press has been generally conventional and *pro forma* with exception of the *Ta Kung Pao* (Independent) which after discussing the past achievements and present problems of the Kuomintang expresses the hope that the party will sincerely endeavor to complete its mission through the unification [elimination?] of bureaucracy and abuses and the activation of Sun Yat-sen's teachings.

HURLEY

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893.00/5-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 7, 1945—[6 p.m.]

[Received May 8—8:50 a. m.]

736. Sixth Kuomintang Congress was inaugurated in Chungking on May 5th. A preliminary meeting confirmed the appointment of Wu Te-chen as Secretary General of the Congress. The Generalissimo, in his capacity as Director General, gave the opening address in which he urged the delegates to keep in mind the party's past struggle and further to develop the party's traditional revolutionary spirit. Following is a summary of this address based on text supplied by Central News:

*Beginning of summary.* In the 7 years since the calling of the Extraordinary National Kuomintang Congress, from fighting Japan alone we have come to fight Japan and Germany in alliance with all peace loving nations. In abolishing the unequal treaties we have fulfilled the hope of Sun Yat-sen. Now that the Three People's Principles have become the common creed of the nation, early inauguration of constitutional government is necessary. Jointly with our Allies, we are working for the establishment of a national security organization.

For years the Kuomintang has encountered and surmounted all difficulties with indomitable spirit. In facing our heavy tasks ahead we must give special attention to the following three points: (1) We must increase our fighting strength, correct our past deficiencies and bring about closer cooperation between the front and the rear, the

army and the people, and civil and military affairs. (2) We shall make plans for the inauguration of constitutional government. Have already announced that the National Assembly will be convened on November 12 for this purpose. Without constitutionalism there can be no reconstruction, and the power cannot be returned to the people. Although all the people may not yet be fully qualified for self-government, it is only through training that they can completely perform their duties. (3) We shall improve the livelihood of the people. We shall prevent capitalist monopoly, eliminate the causes of class struggle, establish social security, elevate the living and cultural standards of the people, carry out the dual policies of land equalization and control of private capital in order to eliminate monopoly and exploitation, and even before the end of the war commence material and economic reconstruction.

The welfare of the country and nation come before everything else. We must not consider of supreme importance the interests of any one party or section. The Sixth National Kuomintang Congress shall conclude our 50 years of revolution and secure a glorious future for our country. *End summary.*

HURLEY

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FE Files, Lot 52-354

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs*<sup>44</sup>

[WASHINGTON, May 8, 1945.]

A BRIEF ESTIMATE OF THE SITUATION IN CHINA ON THE CONCLUSION OF THE WAR IN THE FAR EAST

I. *Political and Military*

There are strong indications that China will be politically and militarily disunited. The Kuomintang-controlled National Government will likely exercise a varying measure of control over western China and portions of northwestern, central, eastern and southeastern China. In certain of these areas the control of the National Government will be limited by the semi-independent status of local military elements. The National Government's control of Sinkiang (Chinese Turkestan) is likely to be impaired and, in some areas at least, may be completely lost either before or after termination of the present Far Eastern war.

The end of the war in the Far East seems likely, in the absence of internal political and military unity, to find the Chinese Communists exercising control over large areas in northern, northeastern,

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<sup>44</sup> Apparently forwarded on May 8 to the Director of the Office of Far Eastern Affairs (Ballantine).

central and eastern China. Such control in areas lying north and east of the Yellow River and up to the vicinity of the Great Wall is likely to be relatively secure. The Communists are, moreover, strongly entrenched in northern Kiangsu and in portions of Anhwei, Honan and Hupeh. They have also established bases in areas south of the Yangtze River, notably in Kiangsu, Chekiang and Kwangtung, and are at present endeavoring to consolidate and expand these bases. The Chinese Communists are almost certain to seize the opportunity to expand into Manchuria when Japanese control comes to an end there, and they may also seek control of Inner Mongolia and possibly Sinkiang.

Failure of the Kuomintang and the Chinese Communists to unite will in all probability lead to the formal establishment of two distinct political and military entities in the areas described above, the Kuomintang controlling one and the Communists the other. Large-scale internal strife is likely to be the product of this division—probably after the defeat of Japan. As the military power of the two contending groups appears to be relatively well balanced, a long, devastating and perhaps indecisive struggle is likely to develop. Should external assistance be accorded both groups the severity of the struggle will doubtless be intensified. The granting of external assistance to one of the contending factions and the withholding of it from the other will without doubt tip the scales decisively to the faction accorded aid.

It seems clear that the Kuomintang-controlled National Government is looking to the United States and Great Britain for support. It seems equally clear that the Chinese Communists hope to receive aid from the Soviet Union. Russian participation in the Far Eastern war would likely lead to Soviet military penetration of Manchuria and the probable establishment in that area of a Chinese governing regime—possibly Chinese Communist—friendly and receptive to the desires and interests of the Soviet Union. Should such a Russian-sponsored regime be set up in Manchuria, it would be in a position to exercise a profound influence over political, military and economic developments in areas lying south of the Great Wall. It seems obvious that Anglo-American support of the National Government and Soviet support of the Chinese Communists would lead to a situation pregnant with explosive possibilities for the future peace of the Far East and the world.

A China torn by internecine strife obviously cannot take its place as one of the major stabilizing powers of the world; on the contrary, civil war in China will invite external intervention which will in turn directly threaten the future peace of the world.

## II. *Economics*

The termination of the war in the Far East will find China sapped economically and financially. It will find China enmeshed in the throes of virulent inflation and possessed of a worthless currency. It will find China's nascent industry and transport system largely destroyed and utterly dislocated. Japanese implementation of their oft-repeated threat to carry out the "scorched-earth" policy would add to the destruction of China's economy. Substantial foreign assistance and guidance will be needed if China's industry and transport system are to be rehabilitated. Political instability and/or civil strife will of course seriously hinder, if not render impossible, the industrial and financial rehabilitation of China, and can only lead to the further disintegration and dislocation of China's economy with disastrous results to the Chinese people.

## III. *United States Policy with respect to China*

United States policy is directed toward the development of a strong, independent, stable, peaceful and united China and of a government representative of the wishes of the people and able effectively to discharge its internal and external responsibilities. In pursuance of this policy, we would expect to continue to support the existing National Government of China, headed by Chiang Kai-shek, as the central authority which offers the best hope for unification and avoidance of chaos. However, as a safeguard against the possible disintegration of the authority of the existing Government, it is our purpose to maintain a degree of flexibility of policy to permit cooperation with any other leadership in China which may give greater promise of achieving our policy with respect to China. While our present military policy is devoted to the immediate objective of effective joint prosecution of the war, we would logically expect to assist China to develop a modern and effective post-war military force to contribute to world peace and security. We are not prepared to commit ourselves to assist China in the creation of such a military force, however, until we are convinced that China is making substantial progress toward the implementation of the policy enunciated above and until China has developed her resources and economy to such an extent as will, in our opinion, enable China to maintain and support a modern and effective post-war military force.

In pursuance of our policy toward China, as enunciated above, we seek the active aid, understanding and cooperation of other interested nations, particularly the Soviet Union and Great Britain. We believe that such aid, understanding and cooperation are vital to the end that China may be enabled to become a bulwark of peace and security on the Far East.



FE Files, Lot 52-354

*Memorandum by the Director of the Office of Far Eastern  
Affairs (Ballantine)*<sup>45</sup>

[WASHINGTON,] May 9, 1945.

Mao Tze-tung in an important speech to the Chinese Communist Congress on May 1 makes the following statements in regard to the Soviet Union:

"We are of the opinion that the Kuomintang government must stop its attitude of enmity towards the Soviet Union and swiftly improve Sino-Soviet Diplomatic relations . . ."<sup>46</sup>

"We welcome Marshal Stalin's speech of last November rebuking the Japanese aggressors and the recent denouncement of the Soviet-Japanese Neutrality Pact by the Soviet Union. . . .

"We believe that without the participation of the Soviet Union it is not possible to reach a final and thorough settlement of the Pacific question."

Mr. Service, during talks with Mao in March, came to the conclusion that the Communists, despite their reticence to discuss the question, expect the Soviet Union to enter the war against Japan. His conclusion was based on Communist statements that Russia must be considered an important Far Eastern power, that she is uncompromisingly opposed to Japanese Fascism, and that she will insist on a voice in the Far Eastern settlement.

Rejecting alternative lines of Soviet action such as aid to China through Sinkiang or direct link-up with the Communists through Mongolia, Communist military leaders such as Chu Teh argued (to Service) that the reasonable course for Russia to take will be direct attack by the Red Army against northern Manchuria with the main effort probably coming from the west, in the Manchuli or eastern Outer Mongolian region, possibly supported by a secondary attack from northeastern Manchuria.

The Communists make no secret of their own preparations to take an active role in the conquest of Manchuria. For the last two years they have been energetically strengthening their guerrilla bases on the southwestern fringe of Manchuria and they claim to have a strong and extensive underground organization in Manchuria, including close contact with remnants of old but presently dormant resistance groups. It is difficult to evaluate the strength of these claimed forces because their present policy is to remain underground and avoid premature open activity. The Japanese, however, have from time to time an-

<sup>45</sup> Drafted by John S. Service and forwarded to the Under Secretary of State (Grew), Asa E. Phillips in the Office of the Secretary of State, and the Chief of the Division of Eastern European Affairs (Durbrow).

<sup>46</sup> Omissions indicated in the original memorandum.

nounced capture of Communist agents and fear of Communist activity seems to be reflected in rigid restrictions on travel between north China and Manchuria and intensive anti-Communist propaganda. In addition the Communists, through their early advocacy of a policy of active resistance to Japan, have won to their side (rather than the Kuomintang) a large number of the Manchurians who fled into China after 1931.

The Chinese Communists are very emphatic that the Russians have no ulterior motives or designs in Manchuria and will not demand any special concessions or territory. They insist that the Russians will be satisfied with a friendly government in Manchuria (as in the rest of China), which will have close and friendly relations with the Soviet Union, permit full use of the facilities of the ports and railways of Manchuria on a normal commercial basis, and not impose onerous restrictions to Soviet trade with or transit through Manchuria. This contention that the Soviet Union has no ambitions beyond the desire to see a liberal regime in China with which it can have close and friendly relations was frequently reiterated. The Communists refused to discuss with Mr. Service the separation of Manchuria from China or to consider the permanent separation of China into two countries or spheres.

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893.00/3-2145

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*

[WASHINGTON,] May 10, 1945.

Reference Service's report no. 21, March 21, 1945.

Taking Kwangsi as an outstanding example, Service pictures the Generalissimo's methods of weakening opposition groups—to attain what "he" calls unity—as actually increasing disunity and impairing the war effort.

One can hardly deny that China's disunity has increased during the war; that Chiang's treatment of provincial groups and forces has aroused their deep resentment; or that Chiang has a major share in responsibility for the failures in China's war effort.

Many, however, would dispute the apparent thesis of the despatch—that China's disunity is primarily the result of a deliberate Machiavelian policy pursued by Chiang since 1927. They would probably contend that, without Chiang's astute and persistent efforts, China's pre-war measure of unity would never have been achieved; and that her subsequent loss of unity is the result, not only of Chiang's mistaken

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\* President Chiang Kai-shek.

policy, but of many other factors. They might include among such factors: the selfish ambitions of some war lords (who might well have not responded to any type of treatment by Chiang); and the strains and stress of war, which, in a nation such as China in 1937, must almost inevitably exert a disintegrating influence beyond the power of human control.

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893.00/5-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 14, 1945—11 p. m.

[Received May 14—3:30 p. m.]

778. The Sixth Kuomintang Congress, which was scheduled to conclude yesterday, has been extended for 2 or 3 days. Meetings are secret, the press not being admitted.

Political and military and party organization reports have been made to the Congress. According to information from a number of sources, the four main party cliques (Political Science, Chu Chia-hua, Youth Party and Whampoa cliques) are seeking to lessen the influence of the major C-C clique,<sup>48</sup> but their degree of success has to date been limited (due to the superior organization of the C-C).

Discussions of the Chinese Communist Party problems have occupied much time. The Generalissimo made an important off-the-record statement today in which he stressed the importance of closer and more harmonious relations with Russia. He reassured the meeting that there was no controversy with Russia about Manchuria or Korea. Further information will be telegraphed as soon as available.

HURLEY

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FE Files, Lot 52-354

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase) to the Deputy Director of the Office of Far Eastern Affairs (Stanton)*

[WASHINGTON,] May 15, 1945.

The most notable feature of these speeches,<sup>49</sup> as far as reported, is an emphatic and repeated eulogy of the leadership and ideology of Mao Tze-tung as the embodiment of the common spirit of the Chinese Communist Party and the Chinese people. That this is something of

<sup>48</sup> Clique headed by the Chen brothers.

<sup>49</sup> Digests of Yen-an radio broadcasts by Chu Teh, Chou En-lai, and the Japanese Communist, Okano, as monitored by the Federal Communications Commission, not printed.

a new line is indicated by Chu Teh's own words that "this is what marks this Congress from other Party Congresses in the past".

Such a line might represent a Communist move to build up Mao as a possible future head of state in case of a final break with Chungking. It might, also or alternatively, reflect the existence of Party criticism of Mao and a consequent effort to vindicate him and policies which he has succeeded in establishing over opposing policies. In fact, certain passages would almost seem to imply that there have been some differences between (1) a group favoring a more purely doctrinaire Communist program and (2) Mao's group, calling for an opportunistic and realistic policy of adapting the Chinese Communist movement to the immediate internal and international situation and to the actual present needs of the Chinese people.

However, one might easily read too much into the statements, which may be primarily of an electioneering character in connection with elections to be made by the Congress. In any case, it is believed, in the light of reports by Mr. Service and other observers at Yen-an, that any divergences which may exist in the Chinese Communist Party are not of a serious nature. There is, moreover, no evidence of Moscow's taking any part in Chinese Communist politics, or of the existence of any faction not desiring close ties with Moscow.

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893.00/5-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 19, 1945.

[Received May 19—1:35 p. m.]

801. Following is Central News Agency English service version of resolution on Chinese Communist problem passed May 17 session of Sixth Kuomintang Congress:

"After careful consideration of the report on the Chinese Communists' problem submitted by the Central Executive Committee, the Congress endorsed the policy of the Committee to seek a political solution of the problem. With the responsibility of guiding the nation during these arduous years on their shoulders, the Kuomintang has consistently been striving for China's freedom and equality [by?] means of national unity and through a successful prosecution of the war.

In September 1937, the Chinese Communist Party announced its four pledges to support the National Government and to obey Government orders.<sup>50</sup> Despite these pledges, the Chinese Communist Party has persisted in armed insubordination and refusal to carry out the military and administrative orders of the National Government. However, our party, as is generally known at home and abroad, has

<sup>50</sup> See telegram of September 24, 1937, 4 p. m., from the Consul General at Hankow, *Foreign Relations, 1937*, vol. III, p. 548.

maintained a policy of forbearance and spared no efforts to preserve unity.

With the convening of the National Assembly in sight, the long cherished wish of our party to return the reins of power to the people and to establish a constitutional government will be fulfilled in the not distant future. In order to consolidate national unity and insure victory against Japan, our party must carry out the policy of seeking a political solution of the Chinese Communist problem with renewed vigor. We hope the Chinese Communists are equally aware of the fact that the founding of the republic was not an easy task and that the war against Japan has yet to be won. We hope that the Chinese Communists will not fail to appreciate the difficulties still confronting the nation, but will make good their pledges of September 1937. We hold that at [*the?*] settlement of all questions can be reached through discussions as long as they do not adversely affect the progress of our war against aggression or endanger the state. An amicable settlement will be to the interest of the nation. We urge all of our comrades to give their support to this policy."

HURLEY

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893.00/5-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 19, 1945.

[Received May 19—1:28 p. m.]

806. *Central News*, official Kuomintang organ, announces that a series of resolutions introduced by the Generalissimo (who has been reelected leader of the party) on preparatory measures for inauguration of constitutional government was adopted by Sixth Congress on May 16. These measures, reportedly to "demonstrate the sincerity and resource of the successful operation of constitutional government", are as follows:

1. That all the existing Kuomintang headquarters in the armies be abolished within a period of 3 months [and] no party headquarters be established in any school;

2. That the San Min Chu I Youth Corps be taken over by the Government as a youth training institution.

3. That through election [of] provisional political councils the various hsiens and municipalities in free China be established within 6 months to serve as full-fledged representative organs and that in any province where political councils already exist in more than half of the hsiens and municipalities under its jurisdiction, a provincial political council be immediately elected to serve as a representative organ [*organ*] of the province;

4. That a law governing the formation of political societies be enacted so that political groups other than the Kuomintang may attain legal status;

5. That offices of administrative character which have been functioning under the Kuomintang during the period of political tutelage be gradually taken over by the Government for the adjournment of the present congress;

6. That the forthcoming Central Executive Committee of the Kuomintang be authorized to carry out the aforementioned measures.”

HURLEY

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893.00/5-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 20, 1945—1 p. m.

[Received May 20—7:45 a. m.]

811. If the resolutions mentioned in Embassy's, 806, May 19, are effectively implemented, thereby divorcing the army and student bosses [?] from Kuomintang domination and providing for popular self-government, a most important step will of course have been taken toward the achievement of democracy in China.

HURLEY

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FE Files, Lot 52-354

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Chase)*

[WASHINGTON, May 21, 1945.]

The Yen-an radio summarized a military report by General Chu Teh to the recent Chinese Communist Party Congress, which constituted probably the most complete indictment of the Kuomintang's conduct of the war yet published by the Communists. While bluntly restating all previous charges against the Kuomintang, Chu advanced no new ones; refrained from attacking the Generalissimo specifically; and emphasized the need for military unity in preparation for an imminent counteroffensive. The principal significance of his report seemed to lie in the constant assertion of the Communists' increasingly popular and important role in the liberation of occupied China, and in the clearly implied warning that Allied forces must give the Communists treatment and cooperation commensurate therewith.

Tracing the course of the war, General Chu restated Communist charges that the Kuomintang reverted to reactionary policies and a passive attitude toward the war following the loss of Hankow in 1938; has been conniving with the Japanese; conducted operations

against the Communists instead of cooperating with them in organizing popular guerrilla resistance; and has thereby been losing strategic areas to the Japanese on the "Kuomintang front", while the Communists, with popular support, have been regaining extensive territories on the "liberated-area front". According to Chu, the Kuomintang front has now become secondary to the liberated-area front from the standpoint of the coming counteroffensive.

By way of further explanation of the "new situation", Chu contrasted in pungent terms: "the anti-popular, defeatist and solely defensive military line" of the "Kuomintang reactionaries", which seeks to protect the interests of "big landlords, compradors and bankers", relies on Gestapo methods, opposes reforms, abuses troops, depends on foreign military aid for a quick victory, and prepares for civil war; and the "Mao Tze-tung military line of the people's war", which seeks "the merging of the armed forces with the people", "has confidence in the people's strength", develops willing effort and efficiency, needs but does not depend on outside help, and "strives for victory through reliance on its own strength".

General Chu concluded his report with a statement of Communist military objectives, which included: the purging of "anti-popular elements and corrupt practices" from Chinese forces; the adoption of military and political lines "in harmony with the war of resistance and the people's interests"; the abolishment of "unequal treatment to different troops"; the equitable distribution of "Allied supplies among the armies fighting at the front"; army democratization and recruiting and training reforms; expansion of the liberated areas; expansion and technical (including artillery) training of the "people's armed forces"; organization of underground armies in Japanese-held cities; and establishment of close unity between the Communist forces, the Kuomintang armies and other Chinese forces in preparation for a "strategic change from anti-Japanese guerrilla warfare to anti-Japanese regular warfare during a counter-offensive".

A distinct note of warning that the Communists will insist on recognition as a major participant in the final operations against the Japanese appeared to be conveyed in Chu's culminating statements: "Anyone who ignores the greatest possible efforts of the liberated area battle-front will be sure to commit a very grave mistake. We want to unite with all friendly troops to defeat the Japanese aggressors."

893.00/5-2145

*The Second Secretary of Embassy in China (Rice) to the Secretary of State*<sup>51</sup>

No. 23

SIAM, May 21, 1945.

[Received June 16.]

Subject: Attitude of Inner Mongolians Toward Possible Incorporation in Outer Mongolia and Communist Activity Directed Toward That End.

SIR: Reference is made to my despatches to the Embassy at Chungking no. 100 of December 23, 1944,<sup>52</sup> "Statements of General Liu Chien-hua in regard to the Attitude of Authorities in Inner Mongolia" and no. 145 of March 11, 1945, "Reported Sending by Teh Wang of Emissaries to Outer Mongolia." Reference also is made to the Department's third person instruction to the Embassy of February 14, 1945<sup>52</sup> containing the following comment on the first-mentioned of the above despatches: "Mr. Rice's care in explaining the need for accepting General Liu's allegations with reserve has been noted. General Liu's statement that Inner Mongolians would welcome incorporation with Outer Mongolia and prefer Soviet to Chinese domination raises an interesting question in regard to which it would be worthwhile to attempt to obtain more trustworthy information." I have the honor now to report as follows further information in regard to the attitude of Inner Mongolians toward incorporation with Outer Mongolia and Communist activity directed toward that end. I have obtained this information from a Central Government officer who about two months ago left Inner Mongolia where he was Chief of Staff of the Pacification Bureau of one of the banners of the Mongol Ik'ochao League.

*Summary:* According to a Chinese Central Government agent from Inner Mongolia, Mongols there have to a great extent given up hope of achieving a satisfactory degree of self-determination within the framework of either Chinese or Japanese rule and are increasingly thinking of seeking unification with Outer Mongolia. Were Inner Mongolia to come under the control either of Communist Russia or the Chinese Communists, the latter would obtain direct access to Soviet-controlled territory and, probably, to Russian assistance. Natives of both Inner and Outer Mongolia are being utilized, the informant states, in the dissemination of Pan-Mongol propaganda and

<sup>51</sup> In a memorandum of June 26 the Assistant Chief of the Division of Chinese Affairs (Chase) commented: "Rice records interesting evidence strengthening his previous report suggesting the likelihood of a movement for the incorporation of Inner Mongolia with Outer Mongolia . . . the prospects for a Soviet-Communist belt extending from Siberia almost to Peiping are especially deserving of attention. The despatch serves as one more warning of the vital need of winning Russian support of our efforts toward a united China, if the northern Provinces and territories of China are not to follow—in complete or partial degree—the example of Outer Mongolia. This despatch is . . . full of timely and useful information". (893.00/6-445)

<sup>52</sup> Not printed.



Chinese Communists are resorting, in some cases, to methods of intimidation against luke-warm Mongols. The Communists already have achieved a considerable measure of success; in view of this situation the informant greatly fears the effects which might ensue were Russia to intervene in the war on the continent of Asia and in Inner Mongolian affairs. (*End of Summary.*)

[Here follows detailed report.]

My informant ended his conversation on a note which has entered practically every conversation on international affairs I have had with Chinese during recent weeks. Voicing a dread which seems ever-present in the minds of a very great many Chinese and which evidently was called to the surface by our discussion of the Communists, he asked the question (which I, of course, did not attempt to answer), "If Russia enters the war against Japan, then what?"

Respectfully yours,

EDWARD E. RICE

Approved for transmission:

For the Ambassador:

Robert L. Smyth

*Counselor of Embassy*

893.00/5-2345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 23, 1945—6 p. m.

[Received May 23—2:16 p. m.]

834. The Sixth Kuomintang Congress closed at noon May 21 with the election of 460 members and reserve members of the Central Executive Committee and Central Supervisory Committee as follows: CEC 222 members, 90 reserve; CSC 104 members, 44 reserve.

A manifesto issued at the conclusion of the Congress summarized previous resolutions and stressed following:

1. Armed resistance. China's most urgent task today is to strengthen her armed forces for the destruction of the enemy. Only by liberation of peoples in the northeastern provinces, the return of Formosa and the restoration of independence to Korea, may China consider victory completely won.

2. Foreign relations. China is ready and willing to strengthen friendly ties with the United Nations, especially the United States, Britain and Russia, and to cooperate with them in the establishment of an international security union. China will welcome financial and technical cooperation to carry out its industrial program. Reconstruction will be promoted on basis of mutual benefit and world prosperity.

3. Principle of nationalism. China aims to secure its independence and the equality of all the social groups within the country. China will actively aid the economic and cultural development of the frontier

racial groups, respect their languages, religions and customs and promote self-government. A high degree of autonomy will be granted Outer Mongolia and Tibet.

4. Principle of democracy. The National Assembly shall be convened in November to adopt and promulgate a constitution and to return the reins of power to the people. The Chinese people, fully cognizant of their hard-won independence and freedom, will suffer no force to set Chinese history back or jeopardize the foundation of the republic.

5. Principle of people's livelihood. The Congress, after examining its past records, regrets that due to numerous obstacles it has not carried out the policies of the equalization of land and the restriction of private capital. All measures, including [the] prevention [of] monopoly, elimination of hindrances to production, prevention of [land] aggrandizement, promotion of farmers owning [the] land they till, improvement of living standard of front-line soldiers, safeguarding livelihood of farmers, laborers, government and school employees, shall be faithfully carried out. China shall, on the one hand, encourage the people to engage in private enterprise under a general plan of national economic reconstruction, and, on the other hand, develop state capital to engage in large-scale economic enterprises, especially communications and motive power.

In commenting on the manifesto, the *Ta Kung Pao* states that, "no matter how magnificent the resolutions may be they will always remain promises on paper unless they are immediately and vigorously put into practice. From now on, national unity presents China's chief problem. If it can be achieved, everything will be automatically solved; if it cannot, the sacrifices China has made will amount to nothing. China's unity can be attained only through constitutional democracy."

HURLEY

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893.00/5-2645

*Memorandum of Conversation, by Mr. Everett F. Drumright of the Division of Chinese Affairs*

[WASHINGTON,] May 26, 1945.

Following are highlights of remarks made by Dr. Frank Price, an American missionary who is "private adviser" to the Generalissimo and adviser to the Chinese delegation to the UNCIO Conference,<sup>53</sup> to Mr. Meyer and Mr. Drumright in the course of a conversation held on May 25, 1945.

*General Conditions in China.* After reaching a low in November 1944, there has been a remarkable change for the better in general conditions in China, other than those of an economic character. Under the new Minister of War, General Chen Cheng, army reforms have

<sup>53</sup> United Nations Conference on International Organization, San Francisco.

been particularly striking and the Chinese army may yet prove to be a valuable asset in driving the Japanese from China.

*General Wedemeyer.* The sending of General Wedemeyer to China was a master stroke on the part of the United States. In addition to possessing great military ability, General Wedemeyer has been able to obtain the full confidence and liking of the Generalissimo and General Chen Cheng. In consequence, there is at present full cooperation between the American and Chinese military authorities. This new spirit of cooperation is bearing fruit in the form of reorganization and rejuvenation of the Chinese army and its conversion into a striking force for future offensive operations against the Japanese in China. General Hurley and Donald Nelson have also made deep and favorable impressions on the Generalissimo by virtue of their open, sympathetic and warm-hearted attitudes. The Generalissimo is now convinced that the United States is determined to render him all possible assistance and cooperation in the prosecution of the war; he entertains no fear of ulterior motives on the part of the United States.

*Chiang Kai-shek.* The Generalissimo's health is much improved. He is full of spirit and once again is able to make quick decisions. His mental processes are becoming much more flexible as he grows older. He is also mellowing. He is also becoming more liberal in his outlook and appears to be relying less and less on the ultra-conservative groups in the Kuomintang for support and guidance.

The Generalissimo often speaks affectionately of Madam Chiang and voices the wish that she were in Chungking to offer him advice and assistance. The Generalissimo has remarked that Madam Chiang knows his thought processes as no other person does and that she is the best interpreter he ever had.

. . . . .  
*Madam Chiang Kai-shek.* Madam Chiang is still a very sick woman. She is virtually in seclusion. Unfortunately, Dr. and Madam H. H. Kung are trying to keep her secluded and under their control presumably for their own purposes. It is not known when and if Madam Chiang may return to China.

*Dr. H. H. Kung.* Dr. and Madam Kung still are endeavoring to maintain the former's influence and power in China. Dr. Kung, who was very much disappointed that he was not selected to head the Chinese delegation to San Francisco, plans to return to China at an early date. He obviously hopes to persuade the Generalissimo to return him to a position of power and responsibility. But Dr. Kung's prestige and influence are virtually nil among the Chinese people, and it would be very unfortunate if the Generalissimo permitted him to return to a position of authority.

*Yunnan.* The situation in Yunnan is fraught with difficulties. Although Lung Yun, the Provincial Chairman, professes to cooperate with the National Government, in reality he is obstructive and is motivated by a desire to maintain Yunnan as his own satrapy. Although Ho Ying-chin is undoubtedly a liability to the Generalissimo, he is probably best fitted to attempt to control Lung Yun. It would not be surprising if the Generalissimo took drastic measures to bring Yunnan under complete National Government control if and when he feels it opportune to do so.

*The Communist Problem.* The Generalissimo is patient in his dealings with the Communists and still hopes for a peaceful solution. Indeed, he is much too moderate in the eyes of the ultra-conservative elements of the Kuomintang in his attitude toward the Communists and they are very restive and continually putting pressure on him to resort to drastic measures. But the Generalissimo is not likely to resort to extreme measures so long as there is a chance for a peaceful solution. The Generalissimo is leaning more and more on his liberal advisers for guidance in dealing with the Communists. Contrary to popular impression, General Chang Chih-chung is displaying an objective attitude in regard to the Communists. Dr. Wang Shih-chieh, who with General Chang, has been the chief government negotiator in the conversations with the Communists, also entertains moderate views vis-à-vis the Communists. There is a growing feeling among General Chiang and his followers that they must clearly demonstrate to the Chinese people the superior quality of their government if they are to retain power in China against the Communists. There is a very vocal demand in Chungking official circles for thoroughgoing administrative and military reforms and for liberalization of Kuomintang policies.

*National Assembly.* The Generalissimo has been forced by pressure of public opinion to recommend the holding of the National Assembly in November of this year, although he is said to feel that owing to war conditions and the partial control of the country by the enemy the holding of the Assembly at that time is premature. It is obviously impossible to hold elections all over China to select delegates to the Assembly. For this reason it will be impossible to constitute a representative Assembly. The Generalissimo is said to hope for Communist representation at the Assembly and steps will probably be taken to welcome no-party representation and representatives of minor party groups. The main function of the National Assembly will be to draft and promulgate a constitution and to provide the means whereby constitutional government may be initiated. If the Communists, as now seems indicated, refuse to participate in the National Assembly, a strong effort will be made to effect a close alignment with all non-Communist groups and thus present a solid front to the Communists.

*Sino-Russian Relations.* The Generalissimo is said to desire to bring about clarification and improvement of Sino-Russian relations and proposes in this connection to send T. V. Soong to Moscow to hold conversations with Stalin and Molotov. The Chinese seek above all to have a reaffirmation of Soviet commitments to respect China's sovereignty and to refrain from intervention in China's internal affairs. They will probably be agreeable to granting Russia certain economic concessions in Manchuria but not on a basis that would impair China's sovereignty or territorial integrity.

*Comment:* Dr. Price has been in close touch with the Generalissimo for about ten years. He has lived in China for more than twenty years and has an intimate knowledge of the Chinese language and people. He is unquestionably a man of integrity and is believed to maintain an objective point of view. By virtue of his close association with the Generalissimo, he is obviously in a position to interpret the Generalissimo's point of view and also to exercise an influence on him.

Dr. Price stated in confidence that three years ago he had rejected an invitation to become the Generalissimo's private adviser. He said that the Generalissimo had recently renewed the invitation and that after much thought and some misgivings he had accepted the offer. He said that recently he had seen the Generalissimo two or three times each week and that he often had dinner with the Generalissimo at which no other persons were present, and that they engaged in long uninhibited conversations on a wide range of subjects. He said that the Generalissimo has an inquiring mind and is very receptive to plain talk and advice. Dr. Price said that he got very little of either from his Chinese colleagues who are obsequious in the presence of the Generalissimo.

Dr. Price appears to feel convinced that under the new conditions said to exist at Chungking, there is much hope for China's resurgence under the leadership of the Generalissimo. It is possible of course that Dr. Price's conviction is colored by his associations with the Generalissimo. Dr. Price stated with emphasis, however, that he would continue his present relations with the Generalissimo only so long as the latter refrained from the adoption and carrying out of "reactionary" programs and policies.

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893.00/5-2345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 26, 1945—5 p. m.

797. Department has read with interest your 734 [834], May 23 and previous telegrams re Kmt Congress.

Dept would appreciate brief telegraphic report incorporating Embassy's evaluation of significance of Congress proceedings, estimate

of extent to which resolutions are likely to be implemented and appraisal of possible effects of Congress proceedings and resolutions on future developments in China.

GREW

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893.00/5-3045

*Memorandum of Conversation, by the Deputy Director of the Office of Far Eastern Affairs (Stanton)*

[SAN FRANCISCO,] May 30, 1945

During the course of a conversation this afternoon with Dr. Wu<sup>54</sup> he brought up the subject of Kuomintang-Communist relations. Dr. Wu said that this problem was one which seriously concerned President Chiang Kai-shek; that the Generalissimo had shown great forbearance toward the leaders of the Chinese Communist Party; that as a close friend of the Generalissimo he knew that the latter had been willing to make greater concessions to the Communists in order to achieve internal unity than was agreeable to the leaders of the Kuomintang. Dr. Wu referred also to the attitude of Dr. Sun Fo toward the Chinese Communists. He said that Dr. Sun was probably more sympathetically disposed toward the Communists than any other influential member of the Chinese Government, but that Dr. Sun was beginning to believe that no concessions made by the Kuomintang and the Generalissimo to the Communists would satisfy them. In response to a question as to how he thought this problem could be solved Dr. Wu said he did not know but expressed the hope that the existing fundamental differences could be resolved.

It was suggested to Dr. Wu that much could be accomplished by the early establishment of constitutional government, by the carrying out of fiscal and administrative reforms, by relaxation of present stringent censorship, and by the institution of measures designed to safeguard the personal liberties of the people. With respect to constitutional government, Dr. Wu said that he felt certain such a government would be established shortly after the convocation of the National Assembly on November 12, 1945. With reference to the other matters mentioned, he admitted that there was very definite need to effect reforms and to assure to the people freedom of speech and publication and right of habeas corpus. In this general connection Dr. Wu said he was very much impressed by the vigorous criticism of the American Government and its handling of various

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<sup>54</sup> Dr. John C. H. Wu, Adviser to the Chinese Delegation to the United Nations Conference on International Organization and member of the Chinese Legislative Yuan.

domestic problems which appeared in the American press from time to time. He felt that such freedom of expression constituted one of the basic and fundamental characteristics of democracy in the United States. Dr. Wu added that it was his intention upon returning to China to give to President Chiang Kai-shek a first-hand account of this important characteristic of the American democratic system.

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893.00/5-3045

*The Second Secretary of Embassy in China (Rice) to the Secretary of State*

No. 24

SIAN, May 30, 1945.

[Received June 22.]

SIR: Reference is made to my despatches to the Department no. 21, January 9, entitled "Organization and Expansion of Communist-controlled Areas", no. 22, May 19, "Yen Hsi-shan—his Attitudes toward and Relations with the Communists and the Japanese"<sup>55</sup> and no. 23, May 21, 1945, "Attitude of Inner Mongolians toward Possible Incorporation in Outer Mongolia and Communist Activity Directed toward that End". I have the honor now to report as follows in regard to Communist attempts to extend their control in Honan Province.

*Summary:* The Chinese Communists have been reported as already having penetrated not less than forty five hsien of Honan and to be at present expanding in that province into areas now behind the Japanese lines which, until the end of March, 1945, had been occupied by Central Government forces. A bitter struggle for control of some of these hsien has taken place, the usual results being the expulsion of Kuomintang officials and either the driving out or the incorporation in Communist forces of their troops. (However, some pockets of Kuomintang-controlled territory do exist behind the Japanese lines near areas in which the Communists are active.) Apparently the Communists are the more dynamic and aggressive, vis-à-vis both the rival Chinese political party and the Japanese, in their efforts to organize and control guerrilla territory. It appears, on the basis of the situation in Honan, that unless factors not now apparent alter the situation, full-scale civil war may be expected to follow the defeat of the Japanese and their expulsion from China. (*End of Summary.*)

[Here follows detailed report.]

It seems to me that two wars are at present in progress in parts of north China—one an international war in which the Japanese are fighting Kuomintang troops on regular fronts and Communists in their

<sup>55</sup> Despatch No. 22 not printed.

rear, the other a sporadic and limited civil war in which Kuomintang and Communist forces and agents contend for control of guerrilla territory behind the regular fronts. In this latter war, it seems to me, the Communists are proving the more effective. If each of the two Chinese parties continues to pursue its present policies and if no factors not now apparent to me are injected into the situation, I should expect full-scale civil war to break out after the Japanese menace is removed.

Respectfully yours,

EDWARD E. RICE

Approved for transmission :

For the Ambassador :

ROBERT L. SMYTH,

*Counselor of Embassy*

FE Files, Lot 52-354

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Assistant Secretary of State (Dunn)*

SAN FRANCISCO, May 31, 1945.

At a plenary session of the Executive Yuan held at Chungking on May 31 the resignation of Generalissimo Chiang Kai-shek as President of the Executive Yuan was accepted and Dr. T. V. Soong was appointed to succeed him. It will be recalled that Dr. T. V. Soong has been Acting President of the Executive Yuan since last December.

Generalissimo Chiang Kai-shek remains President of the National Government of China and Commander in Chief of all Chinese Forces and it appears probable that his resignation as President of the Executive Yuan was accepted in order to enable him to give greater attention to military matters. The appointment of Dr. Soong as President of the Executive Yuan confirms him in a post which has often been likened to that of Premier and which is the second most important and responsible office in the Chinese National Government. Dr. Soong's appointment gives him certain added authority and prestige and is a definite indication that his political fortunes are in the ascendency. On the other hand, Dr. H. H. Kung, whose resignation as Vice President of the Executive Yuan was accepted at yesterday's plenary session, has temporarily at least dropped from the Chinese political scene.

*It is not believed that the changes announced will have any significant effect upon China's position at the Conference.*



893.00/6-145

*Memorandum of Conversation, by the Deputy Director of the Office  
of Far Eastern Affairs (Stanton)* <sup>56</sup>

SAN FRANCISCO, June 1, 1945.

Participants: Mr. Tung Pi-wu, Delegate of China and Member of  
the Chinese Communist Party  
Mr. Sprouse  
Mr. Stanton

We had a long and informal conversation with Mr. Tung last evening during the course of which we sought to obtain his reactions to recent changes in the Chinese Government and the possibility of an agreement being reached between the Kuomintang and the Chinese Communist Party in regard to the problems of political and military unification.

In connection with the appointment of Dr. T. V. Soong as President of the Executive Yuan Mr. Tung said that he did not believe this appointment would have any great bearing on the solution of the fundamental differences between the two parties and stressed that the solution of these differences depended upon the attitude and action taken by the Generalissimo. In reply to a question, Mr. Tung said that the Generalissimo did want a solution of the problem and did want unity but that he continued to insist that the Kuomintang should dominate the National Government and added that the Generalissimo was not prepared to give the Communist Party or other political groups in China any real authority or any real voice in the Government.

With reference to present plans to convene a National Assembly on November 12, 1945, with a view to the establishment of a constitutional government, Mr. Tung declared that the convening of the National Assembly would in no sense mean the termination of Kuomintang domination of the Government. In this connection he pointed out that the delegates to the National Assembly would be those representatives who were selected nine years ago and that in consequence the majority of the members of the Assembly (90%) would consist of Kuomintang-selected delegates and approximately 10% would be of non-Kuomintang political sympathies. He declared that the net effect of the actions of the Assembly would be to legalize Kuomintang control of the so-called constitutional government. He further intimated that Mr. Li Hwang, who is a member of the Chinese Delegation and the

<sup>56</sup> Copy forwarded to the Ambassador in China by the Acting Secretary of State in his instruction No. 168, June 13, not printed.

leader of the Chinese Youth Party, Mr. Carsun Chang, leader of the Chinese Nationalist Socialist Party, and he had informed Dr. T. V. Soong here in San Francisco that their respective political parties would not participate in a "false" constitutional government of this nature. Mr. Tung was asked what solution he had to this problem. He stated in reply that the Chinese Communist Party believed the only solution to be a "true" coalition government which if formed at the present time would result in China's full strength being employed against the Japanese and would, he believed, pave the way for the establishment of a truly representative government after the war. It appeared from Mr. Tung's statements that there is little likelihood of the Chinese Communist Party's making any substantial concessions.

There was considerable further discussion regarding this matter during the course of which it was emphasized to Mr. Tung that senior officers of the Department were very seriously concerned over the impasse which appeared to have been reached and earnestly hoped that the differences between the two parties could be resolved and political and military unity achieved.

*Comment:*<sup>57</sup> Attention is invited to the striking similarity between the views expressed by Mr. Tung and those which were set forth in an article which appeared in *Izvestia* on June 3.<sup>58</sup> Mr. Krainov, author of the article in question, asserted that the "Kuomintang seeks to preserve entirely the power in its hands" and added that it has already secured for itself "an overwhelming majority of the seats in the National Assembly by appointing delegates and leaving valid the mandates of delegates who were elected on the eve of the Japanese-Chinese war" (1936). Mr. Krainov asserted further that the National Assembly "may become a screen behind which the reactionary leaders of the Kuomintang seek even more to strengthen the power already in their hands, under the guise of bringing democracy to the state".

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893.00/6-445

*The Second Secretary of Embassy in China (Rice) to the Secretary of State*

No. 25

SIAN, June 4, 1945.

[Received June 22]

SIR: Reference is made to my despatch to the Embassy at Chungking no. 100, December 23, 1944,<sup>59</sup> entitled, "Statements of General Liu

<sup>57</sup> Apparently this memorandum was written after time dated or comment was added subsequently.

<sup>58</sup> Clipping from the *San Francisco Examiner*, June 4, attached but not printed.

<sup>59</sup> Not printed.

Chien-hua in regard to the Attitude of Authorities in Inner Mongolia”, and particularly to the final paragraph of that despatch in which mention was made of General Li Shou-hsin, the Chinese in command of the puppet Inner Mongolian army. Reference also is made to my despatch to the Department no. 23, May 21, 1945 entitled, “Attitude of Inner Mongolians toward Possible Incorporation in Outer Mongolia and Communist Activity Directed toward that End”. I have the honor now to report as follows statements in regard to Li Shou-hsin made to me by a usually reliable Chinese who is very well-acquainted with personalities and conditions in Inner Mongolia.

My informant quotes General Chin Hsien-chang, an ex-bandit and former subordinate of General Li Shou-hsin, now at Sian, as stating on May 26 that General Li is in contact with agents of Tai Li who now are engaged in lining up puppet commanders on the side of the Central Government (assumably for a coming struggle with the Communists) and that at the proper time he will be “forgiven” and taken back into the fold. General Chin is further quoted as saying that Li Shou-hsin has on several occasions secretly taken action to preserve property and interests in Inner Mongolia of the Bank of China and that he consequently can count on the help of Dr. T. V. Soong—who long directed the Bank of China’s affairs.

As a commander of numerous troops in strategic Inner Mongolia, General Li Shou-hsin may indeed be holding a key position; by gaining his adherence the Central Government may be able to thwart Chinese Communist efforts, mentioned in my despatch to the Department referred to above, to gain control of Inner Mongolia and to establish a common frontier with Russian Communist-controlled territory. However, Li Shou-hsin has been serving the Japanese as a puppet commander ever since 1933. If the Central Government will overlook his record and take him back in, it seems to me that it will be in no moral position to punish any other puppet official or commander. Moreover, if puppet commanders are to be taken into the Central Government fold in very considerable numbers (in order to get their support against the Communists or for other reasons) I should expect the level of moral character of army commanders as a whole to be unfavorably affected. (A similar effect might be expected in the civil administration, it seems to me, were considerable numbers of puppet officials taken back into the fold—as I fully expect them to be.)

Respectfully yours,

EDWARD E. RICE

Approved for transmission :

For the Ambassador :

Robert L. Smyth,

*Counselor of Embassy*

893.00/6-645

*Memorandum of Conversation, by the Deputy Director of the  
Office of Far Eastern Affairs (Stanton)*<sup>60</sup>

SAN FRANCISCO, June 6, 1945.

Participants: Dr. Chun-mai Carsun Chang,  
Delegate of China  
Mr. Joseph W. Ballantine  
Mr. Philip D. Sprouse  
Mr. Edwin F. Stanton

Dr. Carsun Chang, leader of the Chinese National Socialist Party, informed us during the course of an informal conversation that one of the objects of his present visit to the United States is to bring about the amalgamation of the Chinese Constitutionalist Party in the United States and Honolulu with the Democratic League in China. Dr. Chang explained that the Constitutionalist Party had been established a good many years ago in the United States and was originally devoted to the promotion of the cause of the old Monarchical Party in China, but that in recent years its political thinking had changed and that it was now endeavoring to bring about the early establishment of genuine constitutional government in China. With respect to the strength of the party, Dr. Chang said that it had seven branches in the more important cities of the United States and membership numbered approximately 1,000 in this country. He added, however, that in Honolulu the party was stronger than the Kuomintang and numbered several thousand members.

There ensued some discussion concerning the proposal to establish a constitutional government in China following the convening of the National Assembly on November 12, 1945. Dr. Chang said he and other members of the Democratic League felt that the National Assembly would be "packed" with Kuomintang representatives elected some nine years ago and that neither the Assembly nor a constitutional government which might be established later would in any sense be truly representative of the Chinese people.

Dr. Chang said that shortly after the arrival of Dr. Soong in this country he had sent a telegram to the Generalissimo urging him (1) to expand the People's Political Council and to give it real power and authority with a view to making it a sort of parliamentary body which would have a real voice in the government, (2) to establish a

<sup>60</sup> Copy forwarded by Mr. Stanton on June 11 to the Assistant Secretary of State (Dunn) with the comment: "If you have time you may wish to read the attached memorandum of a conversation with Dr. Chun-mai Carsun Chang, leader of the Chinese National Socialist Party, in regard to the problem of internal unity in China." Copy transmitted by the Acting Secretary of State in instruction No. 178, June 22, to the Ambassador in China.

unified military command in which there would be a representative of the National Government, the Chinese Communists, and the American military authorities, and (3) to stop his present practice of issuing a multitude of orders in regard to routine administrative matters. Dr. Chang said that Dr. T. V. Soong had permitted this message to go forward but that in reply the Generalissimo had merely said that he would like to discuss the contents of the message with Dr. Chang upon his return to China. In answer to a question as to the attitude of Dr. Soong regarding this vital problem, Dr. Chang said he felt sure that Dr. Soong realized the gravity of the matter and that he sincerely desired a compromise settlement with the Chinese Communists. In support of this view he cited the fact that Dr. Soong had permitted his message to go forward to the Generalissimo.

It was apparent from remarks made by Dr. Chang that, while he and other members of the Democratic League agree with the Chinese Communists upon the necessity for the termination of Kuomintang control of the National Government, they do not see eye to eye with the Chinese Communist Party in all other matters and specifically do not wish to see established a Chinese government dominated by the Communist Party.

Dr. Chang said he expected to be in this country for some time and was interested in establishing in Chungking a government-sponsored translating bureau which would undertake the translation of the writings of the principal American political leaders, since he felt that students and others interested in the United States had very little knowledge, for instance, of the writings of Hamilton and Jefferson.

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893.00B/6-645

*Memorandum by Mr. John S. Service<sup>61</sup> to the Chief of the Division of Chinese Affairs (Vincent)*

[WASHINGTON,] June 6, 1945.

The adoption by the American Communist Political Association of a more active line (see attached article, *New York Times*, June 5<sup>62</sup>), and indications that European Communist parties such as the French and Italian are likewise becoming more militant, will cause speculation as to what effects if any this apparent tendency in the world Communist movement will have on the Chinese Communist Party.

The attempt to compare the American and Chinese parties will seem to be supported by the apparent similarity between Browder's<sup>63</sup> recent

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<sup>61</sup> Mr. Service had been assigned to the Department on May 19.

<sup>62</sup> Not reprinted.

<sup>63</sup> Earl Browder, former General Secretary of the American Communist Party.

policy and that now followed by the Chinese Communist Party. Browder is accused of being a "reformist" and "opportunist", of "liquidating the independent and vanguard role of the Communist movement" in favor of "class collaboration and support of the existing social and economic system". The Chinese Communists are likewise following a reformist policy based on the collaboration of several classes (farmer, proletariat, petty and middle bourgeois, and even capitalist) and seek a coalition government based on democracy and private property.

While in Yenan I discussed with Communist leaders the possibility of Communist policy becoming more radical in the near future, especially if they found themselves involved in a civil war. I suggested that the growing preponderance of peasants in the Chinese Communist Party might force them, for instance, to placate peasant demands for a more radical land policy such as confiscation of landlords' property.

Without exception the Communist leaders vigorously and emphatically rejected this possibility of their policy becoming more radical. Their reasoning was that their present moderate policy of preserving the interests of the middle class, including landlords and private business, and protection of the institution of private property and capitalism, was a most effective political weapon against the Kuomintang. They argued that under Chinese conditions for them to adopt policies serving interests only of the farmer would reduce them to the status of a peasant revolt or *Jacquerie*, which by numerous Marxist quotations they proved has never and cannot be successful.

Furthermore they insist that China will need large-scale foreign aid in her necessary economic and industrial development. China does not have the capital or experience to carry out this development herself. Russia likewise will be too busy rebuilding and developing her own country. Aid therefore must come from other countries, particularly the United States, and the Communists say that it would be a mistake for them to adopt policies which would prevent or discourage foreign investment and hence retard Chinese economic development.

Finally, there is the familiar basic argument of the Chinese Communists, supported by Marxist doctrines, that a primitive country, such as China, with a basically agrarian economy and suffering from feudalism and foreign imperialism, cannot progress at one jump to socialism, but must go through a stage of democracy and private capital. Getting away from ideology, the Chinese Communists admit that Socialism or Communism simply will not work in China today with either the farmers or any other important class.

The Chinese Communist leaders obviously knew little about the American Communist Party and were perplexed by its voluntary dissolution. But in discussion they insisted that the two parties could not be compared because of the very different economic and political conditions in the two countries and the difference in relative importance and role of the two parties. The Chinese Communists regard themselves as the leading party in a program of democratic reform and coalition. Their relative importance to other political factors is very great and they are confident that in a coalition government or after the institution of democracy they will become the dominant party in the country.

The question of leadership is probably basic. The European Communist parties with their united front policies are finding that the Socialists and other groups are becoming more "left" than they and hence threatening to take away progressive leadership. The Chinese Communist Party, however, with the minor exception of insignificant and powerless liberal groups, has a monopoly of the progressive leadership in China. They are neither small like the American Communist Party, nor one among many competing parties as in Europe. As long as their policies are considerably more progressive than those being carried out by the Kuomintang, it is unnecessary and not likely for them to turn toward radicalism. It is probable, therefore, that there will be little change in their present moderate coalition policies.

Recent evidence seems to show no change in international Communist approval of this Chinese Communist line. It was notable, for instance, in a recent article from *Izvestia*, reported in the *New York Times* of June 4, which generally supported the Chinese Communist Party and called for a coalition government.

The resolution of the American Communist group which set its new line also seems to support the present Chinese Communist policy. One of its "slogans of action" is:

"Press for a united and free China based upon the unity of the Communists and all other democratic and anti-Japanese forces so as to speed victory. Full military aid to the Chinese guerillas led by the heroic Eighth and Fourth armies."

Although by this reasoning it seems likely that the Chinese Communist Party will not follow this general shift toward abandonment of the united front policy, it is also probably safe to assume that it will be less likely to go in the opposite direction by relaxing its present demands in order to reach a compromise with the Kuomintang. We may expect to see the Chinese Communists hold rigidly to their present position. Kuomintang-Communist reconciliation seems more than ever to depend on Kuomintang concessions.

893.00/6-845 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 8, 1945—noon.

876. U. P. despatch under Chungking dateline June 3 reports "four leaders of Chinese Communist forces including General Chang Yen" have been executed by Kwangsi Provincial authorities on "charges of rebellion." Despatch further reports Chang was sentenced to death "on orders of high authorities, who had been informed of his arrest."

Please endeavor check veracity above U. P. despatch, reporting findings with your interpretative comment by radio.

GREW

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893.00/6-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>64</sup>

[CHUNGKING,] 9 June 1945.

NCR 3334. There follows a report prepared last week by Secretary Ringwalt and Counselor Smyth<sup>65</sup> which I am sending along in accordance with my policy of giving full freedom to my reporting officers even though I may not concur in their reports. We wish to make it clear that the report which follows is not concerned in any way with questions of policy. We wish merely to report as of interest information received from such varied Chinese sources (including Kuomintang, Liberal and Communist) that we feel it should not be ignored.

1. [The] Japanese retirement from Foochow on May 17 and from Nanning on May 26 are indicative of the accelerated pace of the Japanese withdrawal from South China which has been apparent for some time. The Japanese appear no longer to be interested in maintaining their line of communications to South China and Indo-China and Japanese pockets left behind in these areas are expected to fight only delaying actions without hope of retirement to the North. There are even indications that Kweilin is to be treated in future as a secondary base only as air communications and other facilities are being reduced for transfer northward.

2. Coincidental with the Japanese withdrawal from South China has been reported intensification of the sharp but so far localized armed strife between the troops of the Kuomintang and the Communists who are competing to (1) fill the vacuum left by the retiring Japanese and (2) occupy or control coastal and other strategic areas

<sup>64</sup> Copy transmitted to President Truman by the Acting Secretary of State on June 11.

<sup>65</sup> Robert Lacy Smyth.



in the hope of making contact with anticipated Allied landing forces. Skirmishes between the two parties are reported to have occurred in nearly every province in Central and Eastern China. Especially serious has been the fighting in southwestern Kwangtung, in western Honan, in northern Hunan, where six divisions of Kuomintang troops (three Szechwanese and three under Hsueh Yueh) are reported to be engaged in a sizable battle with the Communists near Pungkiang northeast of Changsha, and in western Chiniang where three divisions of Kuomintang troops plus several regiments of the so-called Loyal and Patriotic Army controlled by General Tai Li are reported to have suffered a serious reverse at the hands of the Communists who are said by several sources to have captured over 400 American rifles and machine guns.

3. From a number of independent sources it has been reported that although the Sixth Kuomintang Congress went on record as sponsoring a settlement of outstanding Communist problems through peaceful means (Embassy's 801, May 19) the attitude of the ruling clique in private sessions was just the reverse. It is reported by several sources (including Kuomintang, Liberal and Communist) that on several occasions the Generalissimo addressed the Congress in secret session on the Communist question coupling the Communists with the Japanese as enemies of the state who should be shown no mercy. At a dinner given by the Generalissimo for some of his general officers about the time of the closing of the Congress he is said to have addressed them in similar tenor stating the coming 4 to 6 months prior to a possible allied landing on the China coast is the golden opportunity of the National Government to deal with the Communist traitors.

4. The Kuomintang, Liberal and Communist sources from which the information in the preceding paragraph originates are extremely pessimistic in regard to the immediate future of China anticipating that open civil war will break out and will increase in scope and violence. They express the opinion that whereas heretofore Chiang Kai-shek has made only veiled threats of an open break with the Communists he appears to be now convinced that the time has come to deal with them once and for all.

5. According to our informants, both Kuomintang and Communists are convinced that as long as what they consider to be the present U. S. policy of unlimited support of the Kuomintang continues there is no possibility of a peaceful settlement and both parties are becoming increasingly intransigent in their attitudes toward each other. In this connection our informants point out that whereas 6 months ago time seemed to be working on the side of the Communists it is now working for the Kuomintang. The inference is that for

this reason the Communists may feel it to their advantage to precipitate the issue, while the Kuomintang, fearing a possible junction of U. S.-Communist forces, if and when the latter effect a landing on the China coast, are also not averse to open conflict for key coastal positions.

*Comment by Ambassador Hurley*

The first two numbered paragraphs of the foregoing report cover strictly military rather than diplomatic or political matters. Since those together with the succeeding paragraphs convey an alarming impression of impending civil war deliberately provoked by the Generalissimo and the Kuomintang, I deemed it imperative to seek to ascertain the facts. Last Sunday evening I accordingly called a meeting attended by our Tao Minister, Counselors<sup>66</sup> and Ringwalt and by General Wedemeyer, Colonel Dickey (Wedemeyer's G-2), Commodore Miles, Head of the U. S. Navy Group, and the Military Attaché and the Assistant Naval Attaché. I thus brought together not only the Commanding General China Theater but also all other American Army and Navy Officers who should be best qualified to express opinions based on the widest possible sources of military information. Each was requested to comment on the military section of the Smyth-Ringwalt report and the opinions they expressed were in substance as follows:

There is no question but that the relations between the National Government and the Communists are unsatisfactory or that those relations are capable if existing tendencies are unchecked of eventually producing civil war. That however is nothing new. It was precisely because of those dangers that I was despatched to China last year at a time when the picture contained many less favorable factors than we find today. Then not only were Communist-National Government relations more strained than at present but our own relations both diplomatic and military with the National Government were also far from satisfactory. Sporadic clashes between Communist and guerrilla troops have been occurring over a period of recent years the most serious having taken place in March. These have not assumed the proportions of civil war. All of the facts have been reported by the Military Attaché and the Naval Attaché and G-2 when and as they occurred. Our military authorities have no information to confirm for example that six divisions of Kuomintang troops have been involved or that several regiments of Tai Li's forces "have suffered serious reverses at the hands of the Communists" resulting in the capture of "over 400 American rifles and machine guns". The situation with respect to these sporadic clashes is estimated by our military authorities as being less serious than it was 3 months ago and not more serious as implied by Smyth and Ringwalt. The

<sup>66</sup> Probably garble for the two Economic Counselors of Embassy, Ellis O. Briggs and Walter S. Robertson, the latter with personal rank of Minister.

Generalissimo has assured both Wedemeyer and me that he is using his best efforts to avoid civil war and the American military personnel present confirmed the fact that orders have been given by the National Government to make every effort to avoid engagements with Communist forces.

Questioned concerning the sources of Smyth's and his information, Ringwalt declined absolutely to identify them although [after?] a comment by the Assistant Naval Attaché that an item of information in the military section of the report was very similar to one which the Attaché has received from Wong Ping-nan, a Chinese Communist whose statement had been discounted by the Attaché as exaggerated, Ringwalt admitted that this Chinese was one of his informants. In reply to a further question Ringwalt also stated that one of his Kuomintang informants admittedly held a grudge against the Generalissimo over an alleged slight and that therefore this information might be subject to discount as based on a desire to discredit the National Government of China. I made an oral summary along the above lines after hearing the opinions of those present and my Army and Navy callers agreed that it correctly reflected their views.

I then said that I wanted General Wedemeyer to understand that the American forces and the American Embassy in China are a single team dedicated to the promotion of U. S. policy as defined by the President and the Secretary of State. With respect to military information which might be received by the Embassy in the future this would in every case be made available to General Wedemeyer for evaluation and interpretation and if such information should be reported by the Embassy the interpretation and evaluation of headquarters would be included therewith. I said I expected to see the frankest and fullest collaboration between us to the end that the entire U. S. Government effort in China shall be directed undeviatingly toward the objectives of over-all U. S. policy. General Wedemeyer expressed his concurrence with all of the foregoing and the meeting adjourned.

The following day Smyth (who had been unable to attend the night before) called on me and after a discussion of the matter asked that transmission of the report be deferred at least until he had an opportunity to investigate further. However, in view of the previous insistence of the authors of the report that it be sent at the earliest possible moment and their further insistence at that time on "taking the responsibility for the report" I am not prepared to have it modified in the light of these developments. But I do feel that Smyth should not be held so accountable as Ringwalt for any faulty evaluation of fact contained therein. Both Ringwalt and Smyth know that the rumors they report to the effect that the U. S. policy is to give

“unlimited support to the Kuomintang” is untrue. They know that I conferred with the Communists at their headquarters in Yen-an and since that time have done so almost continuously. They know that I have made two visits to Russia for the sole purpose of finding a solution of the Communist problem in China and bringing harmony in the relations between China and Russia. They know all these facts and yet they apparently persist in the old diehard attempt to bring about the collapse of the National Government in China. For my part I believe that the Communist controversy can be settled satisfactorily and without civil war if some of our American ideological crusaders will permit the American Government policy to become effective.

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893.00/6-1145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)* <sup>67</sup>

WASHINGTON, June 11, 1945—4 p. m.

893. We have read with interest your telegram (ReEmbs June 9) and find helpful the information reported by you and by members of your staff in making our estimate of developments in China.

GREW

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893.00/6-1245

*Memorandum of Conversations, by the Economic Adviser to the Embassy in China (Summer)*

[WASHINGTON,] June 12, 1945.

Participants: Dr. Wong Wen-hao, Minister of Economic Affairs  
 Mr. Kan Nai-Kuang, Deputy Secretary General, Supreme National Defense Council  
 Mr. John D. Summer

On May 23rd I made a farewell call on Dr. Wong Wen-hao. While the principal subject of conversation had to do with economic matters, including the position taken by the recent Kuomintang Congress, Dr. Wong volunteered several comments on matters of political interest:

1. When I asked what Dr. Wong thought of the results of the Congress, he replied that two very important actions had been taken. The first called for a divorce of the Kuomintang Party and the Army. A second would require a similar divorce of the Party and education. While Dr. Wong appeared to feel that these two resolutions were of great significance, he went on to say that a counter-balancing move

<sup>67</sup> Copy transmitted to President Truman on June 11.

was the action of the Congress in calling for the taking over of the San Min Chu I Youth Corps by the Government. With this he expressed great dissatisfaction, stating that the Youth Corps had no place in the Government.

2. When I asked what he thought of the political situation, Dr. Wong replied that he had little hope for a negotiated settlement of the Communist issue. He volunteered the view that the main basis for optimism was the possibility of reform within the Chinese Government. Such a reform, said Dr. Wong, would give great encouragement to the people and might have the effect of materially weakening the position of the Communists. Dr. Wong expressed the hope that corrupt officials would be removed and that reasonably honest men would be appointed. Dr. Wong laughed and said in effect that the appointment of men "reasonably honest" by Chinese standards, while it would represent great improvement, was not asking for much.

On the previous day I talked with Mr. Kan Nai-Kuang, Deputy Secretary General of the Supreme National Defense Council. With no urging on my part he indicated that he saw no basis for a settlement of the Communist issue by negotiation. Rather, he spoke of confining the Communists to a restricted area, and to the prospect of civil war. Stating that he knew the Communist leaders and had worked with them in times past, he expressed utter distrust of them as well as of Russia.

With specific reference to the Kuomintang Congress, Mr. Kan complained of there having been present "too many young men", who were not able to distinguish the practical from the impractical. He seemed particularly annoyed at the form of young men's insistence upon land reform. He also stated that a resolution had been passed, calling on the government to "conduct" foreign trade after the war. This he had called to the attention of the Generalissimo, who agreed that such a position was impractical. The resolution was thereupon changed by striking out the word, "conduct", and inserting the word, "promote".

Dr. Wong, and particularly Mr. Kan, was inclined to belittle the significance of actions taken by the Congress as contrasted with statements of the Government.

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893.00/6-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 13, 1945—9 a. m.

[Received 9:15 a. m.]

973. U. P. despatch was based on translation of article in *Yulin Jih Pao* appearing on page 6 of Chinese Press Review Sunday supple-

ment of June 3 issued by OWI, Chungking, two copies of which in accordance with usual procedure have been forwarded by pouch to Dept<sup>68</sup> (Dept's 876, June 8, noon).

Background information regarding this matter and particularly General Chang Yen, a former 19th Route Army leader, will be found in Embassy's despatch No. 279 of April 5, "Vicissitudes of Marshal Li Chi-shen". Orders were reportedly issued from Chungking directing execution of Chang Yen and associates.

HURLEY

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Nanking Embassy Files, Lot F-73 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State.*<sup>69</sup>

CHUNGKING, June 13, 1945—2:24 p. m.

In the June 7 issue of the (Communist) *Hsin Hua Jih Pao*, the editor, after quoting General Chen Cheng's statement on use of American lend-lease equipment (Embassy's 945, June 7<sup>70</sup>), appended a note reading as follows:

"According to the information of the 18th Group Army Headquarters at Yen-an, the Kuomintang armies that are being employed at present for the sole purpose of blockading the Shensi-Kansu-Ninghsia border region and for attacking our various liberated areas, have a total of 797,000 troops. In recent months, the civilians and soldiers in these areas have had to bear the brunt of the frequent attacks of the Kuomintang forces which have been increasing in intensity. Numerous major and minor armed conflicts between their forces and ours have occurred in Chekiang, Anhwei, Hunan, Kwangtung, Fukien, and at Tahungshan in Hupeh. The most serious case is the recent attack launched by Gen. Hsieh Yueh, Commander of the Ninth War Zone, with a concentrated strength of six divisions, against the units of Wang Chun on the Hunan-Kiangsi border. We are decidedly against civil war, and above all, decidedly against the use of the American Lend-Lease weapons to fight a civil war. Therefore, it does not seem to be very convincing for General Chen Cheng to depreciate the serious phenomenon by saying that the Central Government troops have to defend themselves with whatever weapons they may have."

Because of this article, the public sale and distribution of the above issue of the *Hsin Hua Jih Pao* was forbidden.

HURLEY

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<sup>68</sup> Not found in Department files.

<sup>69</sup> Telegram repeated by the Department to the Embassy in the Soviet Union as No. 1306, June 14, 7 p. m.

<sup>70</sup> *Ante*, p. 119.

893.00/6-1645

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs to the Director of the Office of Far Eastern Affairs (Baltimore)*

[WASHINGTON,] June 16, 1945.

Mr. Judd's disquisition on the situation in China<sup>71</sup> is the most comprehensive and penetrating one I have seen in recent months. Those supporting Chiang Kai-shek will applaud it; those supporting the Chinese Communists will denounce it.

The Judd article may be said to revolve primarily about two main points:

(1) Defense of the role Chiang Kai-shek has played in the present war. Chiang, Judd asserts, has gone all-out for the aims we are fighting for. Judd warns us not to sell out Chiang or China to other powers which have axes to grind in the Far East.

(2) Devastating censure of the Chinese Communists, their alleged hypocrisy, fraud, deceit, obstruction, rebellious activities, their relations with the Soviet Union, the consequences to United States security of a "Red" China. Judd excoriates those Americans who, he says, have swallowed the Chinese Communist line, whatever their intentions may be. Judd makes the point that a "Red" China would not result in a democratic China, nor would it result in world peace or security for the United States.

In my view the article is worth reading in its entirety. If you do not have time for that, I suggest that you read the part commencing on page 11. I understand that extracts from Judd's speech appeared in a recent issue of *Time*.

893.00/6-1645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 16, 1945—9 a. m.

[Received June 17—12:49 p. m.]

991. In the view of the Chinese Government the principal achievements of the recently concluded Sixth Kuomintang Congress (Depts 797, May 26, 2 [5] p. m.) are as follows:

(1) All Kuomintang party headquarters in the army will be abolished within 3 months. Similar action will be taken in the schools.

(2) Within 6 months local representation councils will be estab-

<sup>71</sup> Reference is to Congressman Walter H. Judd's speech in the House of Representatives on March 15; see *Congressional Record*, vol. 91, pt. 2, p. 2294.

lished in all provinces and districts in free China on the basis of popular elections.

(3) A law to give legal status to political parties will be promulgated and the Government hopes that the Communist Party will qualify thereunder. In this connection the Government has reiterated its intention to seek the settlement of the Communist problem through negotiations.

(4) Measures have been decided upon with a view to improving the position of peasant farmers: reduction of rent, questions [of] land tenure and land taxation.

(4) [5] A decision to hold a national assembly was confirmed and it is scheduled to convene on November 12.

The question of membership in the national assembly will be referred to the People's Political Council on which it is anticipated that all parties will be represented.

These projects are obviously of first rate importance and while they require implementation, the Government has assured me unequivocally that it will go forward with such implementation. The foregoing is based on facts stated to me directly by the Govt.

The following is based on rumors or reports picked up by members of our Embassy. The other resolutions passed were mostly general in nature, long range and not susceptible of immediate implementation, in which connection the Government press has pointed out that the Congress intended to lay down guiding principles for future legislation—that is, to restate a party platform which would on the one hand assure developments along democratic lines in the future and on the other have a favorable effect on public opinion abroad (especially on the United States).

The Congress itself was the scene of sharp conflict between the various groups within the party and there was considerable outspoken criticism of the Government during the sessions. A development not encouraging to liberal elements was the increase in the power of the C-C clique which gained in strength by about 10 percent mostly at the expense of the Youth Corps, Whampoa, and Chu Chia-hua, the last named obtaining only two seats. C-C is now apparently directly in control of about 40 percent of the CEC<sup>72</sup> and the CSC<sup>73</sup> and indirectly they have a majority in both committees. Of the 10 CEC members who were not elected, the most prominent were the Gimo,<sup>74</sup> Sheng Shih-tsai and Chang Hsueh-liang. As the Gmo is the Tsung-Tsai (leader) of the party, his reelection is not important; Sheng's failure apparently grew out of a demonstration against him led by members of the Congress who suffered at his hands while he was chairman of Sinkiang; Chang was still under detention (he was reportedly trans-

<sup>72</sup> Central Executive Committee.

<sup>73</sup> Central Supervisory Committee.

<sup>74</sup> Generalissimo Chiang Kai-shek.



ferred to the Chungking area at the time of the Jap threat to Kweiyang last November).

An interesting incident during the Congress was the rumor that a proposal was made that the Gmo be made Tsung-Tsai for life. This was said to be opposed and apparently blocked by Sun Fo who argued that, although he personally did not object to the Gmo, to elect him for life would savor of fascism, whereas it would be more democratic to hold elections at intervals.

HURLEY

893.00/6-1745 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, June 17, 1945—7 p. m.

[Received June 17—2: 25 p. m.]

2134. Well-informed Soviet source states that there have recently occurred five clashes between Chinese Govt and Chinese Communist forces (to Chungking as 48, repeated Dept as 2134). He says one of these affrays resulted in decisive defeat of one Govt division. We shall appreciate your comment.

HARRIMAN

893.00/6-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 19, 1945—2 p. m.

[Received 2: 45 p. m.]

From Hurley for Moscow. In reply to latter's telegram 48<sup>75</sup> and repeated to Department. There is no question that relations between the Chinese National Government and the Communists are unsatisfactory, or that there have been recent clashes. That, however, is nothing new. Sporadic encounters between Chinese Communist and Government troops have of course been taking place over a period of years, the most serious this year according to our military authorities having occurred last March. The Generalissimo has assured both Wedemeyer and me that he is using his best efforts to avoid trouble and that strict orders have been given by the National Government to avoid engagements with the Communist forces. (The latter have recently shown considerable movement and when both groups attempt

<sup>75</sup> Telegram No. 2134, June 17, 7 p. m., *supra*.

for example to occupy areas vacated by the Japanese, clashes are not unlikely.)

According to our Army Headquarters, this situation is less serious than it was a few months ago, and in his last weekly report (June 16)<sup>76</sup> our Military Attaché reported that "The Communist-Central Government situation seemed to continue to be mostly a battle of words with each contestant attempting to place on the other responsibility for clashes".

Yesterday I had a long talk with the Soviet Ambassador to China on various subjects including the Communist problem. I suggest that it would be better for the well-informed Soviet sources referred to in your telegram to get the truth concerning these matters from the Soviet Ambassador here instead of relying on rumors. There are also rumors afloat here that we do not credit to the effect that John Davies<sup>77</sup> is responsible for news items in Moscow papers that appear to be adverse to the Chinese Government. There is unquestionably an effort being made by the enemies of the National Government of China to exaggerate all clashes and to fan disagreements into the proportions of a civil war. This effort on the part of the die-hards is failing. Kind regards.

HURLEY

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893.00/6-2345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 23, 1945—3 p. m.

[Received June 23—2:20 p. m.]

1038. The Sixth Kuomintang Congress concluded May 26 later [*after?*] having adopted measures reported to you in paragraph 1 to 5, inclusive, my 991, 9 a. m., June 16. Pursuant thereto a committee comprised of the following members was appointed by the Government to negotiate with the Communists. (It may be that all of the members appointed will not serve. In that event, substitute members will be appointed.) A short statement of background for each of the members of the committee was presented to us by the Government:

Huang Yen-pei, province Kiangsu, member Democratic League—educationalist—President of Educational Society.

Fu Sze-nien, province Shantung—Independent—scholar of Chinese history and philosophy—director of the Institute of Philology and History of the Academia Sinica.

Wang Yun-wu, province Kwangtung—Independent—director of the largest publishing house in China, The Commercial Press.

Lo Kwei, province Kiangsu—Independent—former Governor of Kiangsu.

<sup>76</sup> See telegram No. 997, June 16, 1 p. m., from the Ambassador in China, p. 121.

<sup>77</sup> Second Secretary of Embassy in the Soviet Union, formerly in China.

Chang Po-chun, province Anhwei, member Democratic League—thought to be former member Communist Party—very close to Communists.

Tso Shung-sheng, province Hunan, member Democratic League—Secretary General of Democratic League—prominent member Young China Party.

Tsu Fu-chang, province Chekiang, old member of Kuomintang—practically an Independent—Parliamentarian since beginning of Republic.

The Government thereupon sent a message to Mao Tse-tung, chairman of the Chinese Communist Party, and Chou En-lai, vice chairman, offering to have this committee negotiate with representatives of the Communist Party for a unification of the armed forces of China for the purpose of defeating Japan. The Government also has agreed to the recognition of the Communists as a political party in China but declines to recognize them as an armed belligerent or insurrectionary group. The Communists did not immediately answer but have been putting forth considerable propaganda, including a somewhat defiant broadcast from Yen-an on June 20th (it is assumed Department has received text from OWI), saying among other things that the Chinese Communist Party would not participate in either the People's Political Council meeting to be held in Chungking beginning July 7th or the November assembly. (We did not comment on that broadcast when made for the reason that we were already in possession of information to the effect that the Communists would agree to negotiate with the National Government through the committee above named.) Yesterday the Government received a reply from Mao Tze-tung and Chou En-lai which indicates that they will resume negotiations with the Government and have asked the committee to come to Yen-an for the purpose of making a complete canvass of the possibility of agreement between the Chinese Communist Party and the National Government.

Although the Communist Party of China has unquestionably been endeavoring recently to bring about clashes between the Communist troops and those of the Government (and has succeeded in causing some clashes, the importance of which has been exaggerated in some quarters), the logic of events seems now to be convincing the Communists that their best interests as a political party may be served by coming to an agreement with National Government rather than attempting to destroy it.

The decision to resume negotiations does not mean that the conflict had been solved. The end is not yet in sight but the situation seems definitely improved.

Sent to Department; repeated to Moscow.

HURLEY

893.00/6-2845

*Extracts of Broadcast from Yen-an, June 26*

*Source:* Foreign Broadcast Intelligence Service, Federal Communications Commission, Yen-an (New China News Agency) in English at 9:30 A. M., June 26, 1945, North America.

(Text Excerpts) "Yen-an, June 26—On June 25, the Yen-an *Emancipation Daily* commented on the arrest of six persons<sup>78</sup> by the FBI<sup>78a</sup> saying that it characterizes the bitter contention between the two lines of contrasting American policies toward China. The full text of the comment reads:<sup>79</sup>

[“]On June 6, a noteworthy incident occurred in the United States. Six Americans, sympathizing with Chinese armed resistance and democracy, including the editor of *Amerasia*, members of the State Department and the Navy, were arrested by the Federal Bureau of Investigation on the charge of revealing a secret. Afterwards Undersecretary of State Grew made a statement saying that this case is the “Fruits of an elaborate security plan” (Retranslated from the Chinese).

What is the inside story of this arrest of . . .? The editors of *P. M.*<sup>79a</sup> . . . “The Government is in the midst of a terrific behind-the-scenes controversy over our policy towards the Far East. There are trends towards the appeasement of Japan and towards a new policy in regard to China.

There are officials who think that we ought to help Chiang Kai-shek to crush the Chinese Reds . . . Everyone of the six arrested has been critical of the dominant State Department officials symbolized in Undersecretary Grew. Three of them have books scheduled for publication criticizing the State Department and the Kuomintang.”

This is to say that the real cause for the arrest of the six persons lies not in the so-called revealing of a “secret” but in the fact that these six friends of China have bitterly opposed the policy of supporting the Chinese reactionaries, pursued by a section of leading persons in the State Department.

No doubt the arrest of the six persons is nothing accidental but is closely related to the American policy towards China.

The American people have always been warmly sympathetic towards the heroic armed resistance of the Chinese people.

As early as October 12, 1942, Undersecretary of State Sumner Welles, in a memorandum replying to Earl Browder, leader of the American Communist Party charging certain officials with “war

<sup>78</sup> See press release June 6, Department of State *Bulletin*, June 10, 1945, p. 1088.

<sup>78a</sup> Federal Bureau of Investigation.

<sup>79</sup> Omissions indicated in the original.

<sup>79a</sup> Newspaper published in New York, 1940-48.

against the Communists in China”, said, “This Government has no such policy either old or new.”<sup>80</sup>

[“]The policy of the American Government for promoting internal Democratic unity in China is also expressed in the concrete action of its representatives in China. According to remarks in American papers and magazines, what Stilwell and Gauss wanted to achieve was to make the Generalissimo (compromise?) with the Communist Party[”]—Drew Pearson.

“General Stilwell has also tried to see that Lend-Lease supplies are guaranteed not to be used by the Central Government for opposing the Communist Party”—*New York Times*.

“General Stilwell continued to urge that all China’s fighting forces be united in a single striking force against the Japanese, that the blockade against the guerrilla areas be lifted, and that the United States be permitted to supply the guerrillas with the minimum of equipment”—*Amerasia*.

However, through concerted activities of the Chinese reactionaries and appeasement elements in America, the American policy toward China has recently undergone certain changes. According to the comment of Brooks Atkinson published in the *New York Times* after General Stilwell has [*was*] ousted from China by the political system which has always (hampered) . . . America tacitly recognized the system which is anti-democratic both morally and factually and is also unrepresentative of the Chinese people. The development of events has proved that Atkinson’s judgment is not without grounds.

(Extensive quotation from General Hurley’s April 2 press conference follows—Editor).

Just because of this, reactionary elements in the Kuomintang feel that they have support and need not worry and consequently then strengthen their determination to persist in dictatorship, to trample democracy and prepare for civil war. One of the proofs is the public statement by General Chen Cheng, Minister of War of the Kuomintang Government to the effect that Allied Lend-Lease armament will be used for civil war.

The case of the arrested six is an open (indication?) of the fierce struggle between two different American policies towards China. One policy is willing to use American influence to promote Chinese democracy and unity so as to accelerate the victory of the anti-Japanese war and improve the friendship between the two great countries, America and China in a common cause against Fascism. The supporters of this policy are the broad masses of the American people who are richly imbued with Democratic traditions and far-sighted Democratic people inside and outside the Government.

<sup>80</sup> See memorandum prepared in the Department of State, October 12, *Foreign Relations*, 1942, China, p. 248.

In contradiction to this is another policy which does not recognize the great strength of the Chinese people and only recognizes the Kuo-mintang Government and their reactionary leaders and the despot, Chiang Kai-shek, who is against democracy and are [*is?*] not representative of the people and believes that "He is China".

Supporters of this policy are reactionary forces in America—Appeasers and Isolationists who are represented by Hurley, etc. They not only own a ring of reactionary newspapers but also occupy some important posts in the American Government through which their machinations are able to influence the policies of the American Government.

They subordinate the American war effort to their aim of maintaining a reactionary regime in China, even though it is obvious that thousands of Americans as well as Chinese lives will be needlessly sacrificed by the refusal to cooperate with the forces of the Chinese people which are opposing the majority of the Japanese in China in areas where decisive battles on the Asiatic mainland will probably be fought.

What then will be the future policy of the American Government towards China? Will it support Dictator Chiang Kai-shek against the Chinese people, or will it aid the Chinese people to attain liberation? We hope the American Government will give this careful consideration.

America must understand the following question: To whom does China belong? We can definitely inform the Americans: China belongs to the Chinese people and not to a few despots. The struggle of the Chinese people in the great movement for independence, freedom, democracy, unification and prosperity cannot be halted by any force in this world.

The aid rendered by the American people toward (the war—Editor) of resistance is deserving of thanks.

In fact, we Chinese people welcome more effective aid from the American people. We are prepared to struggle together with the Allies and collaborate with them in fighting to realize the great cause of defeating Japan and reconstructing a peaceful Far East. But we wish to reiterate the warning of Mao Tze-Tung in his report, "On the Coalition Government."<sup>81</sup>

"We hope the American Government will pay serious attention to the voice of the broadest masses of the Chinese people and not let their diplomatic policy go against the will of the Chinese people and thereby injure and lose the friendship of the Chinese people. If any foreign government helps China's reactionary clique to oppose the

<sup>81</sup> For Mao Tze-tung's speech of May 1, see digest of Yen-an radio broadcast as monitored by the Federal Communications Commission, p. 362.

democratic cause of the Chinese people, a gross mistake will have been committed.”

We, first, are not against the American people and, second, are not against the friends in the American Government who are willing to aid the cause of the Chinese people, but we are resolutely against American imperialists—people like Hurley—because the goal of these gentlemen is entirely in line with the goal of China’s despots and peoples’ betrayers.

If these imperialists do not withdraw their hands early and dare to touch the Chinese people, then the Chinese people will teach them a lesson they deserve. [’”]

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893.00/6-2845

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs*

[WASHINGTON,] June 28, 1945.

Subject: Comment in Chinese Communist *Emancipation Daily* on American Policy Toward China.

Reference is made to the attached F[ederal] C[ommunications] C[ommission] bulletin <sup>82</sup> on the above-cited subject.

Utilizing the arrest of “Six Americans, sympathizing with Chinese armed resistance and democracy” as a “peg”, the Yen-an *Emancipation Daily* discusses the subject of American policy toward China at some length.

[Here follows a summary of the FCC bulletin.]

*Comment:*

It will be apparent from a reading of the article that it constitutes a Chinese Communist attack on the American policy of granting assistance to the Chinese Government. An attempt is made to show that American policy toward China originates among “reactionary forces in America” and that it is not representative of the wishes of the “broad masses of the American people”. As regards China, the article is based on the assumption that the Chinese Communists represent the people of China, their aspirations and hopes, and the ideals of democracy and all that is good in China, while the Kuomintang represents all that is evil in China.

It appears that the foregoing assumptions, with respect both to formulation of American policy toward China and to the relationship of the Chinese people to the Kuomintang and the Chinese Communist Party, as well as the characteristics of the two factions, are open to serious question, if not utterly unfounded.

<sup>82</sup> *Supra.*

While the warnings voiced in the concluding paragraphs of the article perhaps do not merit formal recognition on our part, they do appear to indicate that the Chinese Communist attitude toward the United States is becoming more and more unfriendly, if not belligerent, in tone and may, unless United States policy is changed to meet Communist desires, erupt in violent opposition to the United States.

If, as now seems indicated, the Chinese Communists move formally to set up a separate state in Communist-occupied areas of China and if the United States pursues a policy of spurning the Communist state, the tendency of the Communists to view the United States in an unfriendly light is likely to become pronounced. It is questionable, however, whether the Communists would be able in such a contingency to sway public opinion in areas under their control in any marked degree to a state of enmity toward the United States.

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893.00/6-2345

*Memorandum by Mr. Everett F. Drumright of the Division of Chinese Affairs*

[WASHINGTON,] June 28, 1945.

Subject: Kuomintang Relations

Reference is made to the attached Chungking telegram No. 1038, June 23, 3 p. m. on the above-cited subject.

[Here follows summary of telegram printed on page 416.]

*Comment:*

While the reported agreement of the Kuomintang and the Communists to resume negotiations through the agency of a committee composed of delegates of neither Kuomintang nor Communists affiliations is a hopeful sign, this development should not in itself be taken as indicating that a satisfactory solution is likely to eventuate.

In this connection, it should be remembered that the People's Political Council which met in September 1944 passed a resolution providing for the formation of a similar committee. Such a committee was actually formed, but for reasons that are not altogether clear never initiated negotiations for a solution of the Kuomintang-Communist impasse.

In connection with this problem several points are believed to be worthy of comment:

(1) It would appear from the Ambassador's telegram that some of the appointed members of the committee may not be willing to serve thereon. This was true in the case of the committee set up by the



People's Political Council. The difficulties confronting the mission assigned the present committee are quite likely to cause some if not all the members to seek to evade the responsibility of serving thereon.

(2) It will be noted that the Communists have invited the committee to proceed to Yen-an to canvass the situation. While the Ambassador does not go into the matter in his telegram, the possibility exists that the Chinese Government will suggest that Communist representatives proceed to Chungking to carry on negotiations.

(3) It will be noted, according to Ambassador Hurley, that while the Chinese Government is agreeable to recognition of the Communists as a political party, it refuses to recognize them as an armed belligerent or insurrectionary group. This last proviso would appear to be tantamount to reiteration of an oft-stated Government demand that the Communists subordinate their army to Government control. This the Communists have hitherto been unwilling to do, and it seems highly improbable that they will do so now or in the near future.

(4) The recent violent criticism of the Kuomintang and its leaders emanating from Yen-an, far from suggesting that the Communists desire reconciliation and unity with the Kuomintang, seems to indicate that the recent and present purpose of the Communists is rather to discredit the Kuomintang in the eyes of the Chinese people and the foreign powers.

(5) The proceedings at the recently held Seventh Chinese Communist Party Congress, to the extent that they are available, indicate that the Communists are preparing the way for the formal establishment of a separate state in Chinese Communist-controlled areas of China. They do not indicate that the Communists entertain any thoroughgoing hopes of solidarity with the Kuomintang.

(6) The recently reported decisions of the Chinese Communist Party not to participate in the meeting of the People's Political Council to be held in Chungking in July is further evidence of a widening cleavage between Chungking and Yen-an.

(7) Comment available from the Chinese Communist press and radio suggests that the Communists have already made a firm decision to boycott the National Assembly which the Kuomintang proposes to hold in November.

(8) Reports from various quarters are to the effect that during recent months and at present the Communists have made appreciable efforts to expand their areas of control in central, eastern and southern China. Communist territorial expansion in these areas is reported to have led to sporadic armed clashes with Kuomintang troops and is likely, if continued, to lead to further military friction and possibly to the resumption of general internecine strife.

Consideration of the above-mentioned trends and developments in the Chinese internal situation leads to the conclusion that Kuomintang-Communist relations have been steadily deteriorating and that the possibilities of their being solved or even improved by the efforts of committee under discussion are extremely remote.

893.00/6-2845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 28, 1945—7 p. m.

[Received June 29—2 a. m.]

1067. A committee, consisting of the following seven Chinese, called on me on June 27 (ReEmbtel 1038, June 23; repeated to Moscow) :

Mr. Hu Fu-cheng (Kmt)  
 Dr. Fu Ssu-nien (Independent)  
 Mr. Wang Yun-wu (Indep.)  
 Mr. Leng Yu-chiu (Indep.)  
 Mr. Tso Shun-sheng (Democratic League)  
 Mr. Chang Po-chun (Dem. League)  
 Dr. Huang Yen-pei (Dem. League)

Mr. Wang Yun-wu, who acted as interpreter, said that the committee had been formed to discuss the problem of unifying China, adding that the three Independents had been appointed by the People's Political Council and the others had volunteered their services. He said that the committee had called on me to seek my assistance and advice. (Sent to Dept, repeated to Moscow.)

I informed the committee that I appreciated the spirit which prompted their call. I said that I would, of course, be happy to assist the committee in any appropriate manner, but I considered that it was essential at this time for the Chinese—Kuomintang, Communists, Democrats and other political parties—to follow their own leadership, make their own decisions and be responsible for their own policies. I said that the Chinese should not ask a foreigner to make their decisions for them. I had every desire to be helpful, but I should refuse to advise any one partisan group; later in the discussions I would make suggestions if invited by all parties to do so.

I suggested that the committee should go over all the proposals and counter proposals made by the Kmt and the Communists during the past 6 months or so, and from them endeavor to evolve a formula which might be acceptable to both sides. I believed that, as American Ambassador, it would not be proper for me to express an opinion on the merits of the five-point Communist proposal, or the three-point Kuomintang proposal. In reply to an inquiry whether publicity should be given to the deliberations of the committee, I replied that I was in favor of full freedom of the press, provided that no reports should be issued which might give aid or comfort to the enemy.

I said that, when the committee had concluded its deliberations in Chungking, I would be glad to provide a plane to take them to Yenan for discussions with the Communists. I stated that if, when discussions were under way at Yenan, both the Communists and the others wished me to join in the conversations, I would be happy to do so. I

urged that all Chinese taking part in the deliberations and discussions should do so, not as members of the Kuomintang, Democratic League, Communist Party, or any other party or group, but as patriotic Chinese who were endeavoring earnestly to bring about a free, united, and democratic China. I said that I would appreciate being kept informed of developments and would designate Mr. Smyth to serve as my liaison officer with the committee. The committee members assured me that they would be very glad to keep me in touch with developments.

HURLEY

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893.00/6-2745

*Memorandum by Mr. Everett F. Drumright of the Division of  
Chinese Affairs*

[WASHINGTON,] June 29, 1945.

The attached Chungking telegram No. 1055, June 27,<sup>83</sup> quotes a press report to the effect that Dr. Chiang Mon-lin, President of Peking University, now situated at Kunming, has been appointed Secretary General of the Executive Yuan. Dr. Chiang, who was educated in the United States, may be regarded as a representative of the "liberal wing" of the Kuomintang. At the recent Kuomintang Congress in Chungking Dr. Chiang was elected a member of the Central Supervisory Committee of the Kuomintang.

Along with Dr. Hu Shih, Dr. Chiang is regarded as one of the foremost of modern-day Chinese intellectuals. He is thoroughly familiar with democracy as it is practiced in the United States, and he is an ardent exponent of its transplantation to China to such extent as is possible in a country possessing such a different culture and civilization from that existing in the United States.

In China Dr. Chiang, who is President of the Chinese Red Cross, has strongly urged the reformation of the Chinese Army, particularly the Army Medical Corps.

There is no question but that Dr. Chiang is a man of great personal integrity and high ideals. His probable drawbacks are that he lacks administrative experience in public affairs and the immense energy needed to function in high office.

However, on balance, his appointment to this important administrative position in the Executive Yuan, which was undoubtedly initiated by T. V. Soong, must be regarded as an encouraging development. The possibility is that with Dr. Soong, Dr. Wong Wen-hao and Dr. Chiang heading up the Executive Yuan the civil administration of the National Government may undergo marked improvement.

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<sup>83</sup> Not printed.

893.00/6-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*CHUNGKING, June 30, 1945—10 p. m.  
[Received June 30—6:24 p. m.]

1081. General Wang Jo-fei, ranking Chinese Communist in Chungking, accompanied by his interpreter, called on the Ambassador on June 28. (ReEmbtel 1067, June 28.) Counselor Smyth was present and made the following summary of their 3-hour conversation.

The Ambassador recalled to General Wang that he had been instrumental in obtaining the inclusion of a Communist delegate in the Chinese Govt delegation to the San Francisco Conference. He recalled also that he has made a trip to Yen-an for conferences with Mao Tse-tung and had brought Chou En-lai and others to Chungking twice for the purpose of negotiating with the Govt, for a settlement. The Ambassador said that he had done more in an effort to bring about a just settlement between the Communists and the Govt than any other one man. He said he had been presented in the Communist press in China and elsewhere as being opposed to the Chinese Communists. The Ambassador said that he realized that much of the abuse was coming from people who are opposed to the National Govt of China and do not desire the unification of National and Communist armies in China. He said that notwithstanding all these unjust and untrue accusations, he is and has been the best friend the Chinese Communists have in Chungking.

The Ambassador admitted that he had assisted them in drafting the Communists' 5-point proposal. He had presented that proposal to the Gmo. No other person had ever taken up the Communist case so vigorously with the Gmo. The Ambassador said that he believed that the press and other attacks on him constituted an attempt to keep the Communists and Kmt apart by persons who wished, for their own selfish reasons, to prevent the creation of a free, united, democratic and strong China. (Sent to the Dept., repeated to Moscow.)

General Wang stated frankly that real communism in China under present conditions is impossible. The General stated, however, with perfect candor that the party now supports democratic principles but only as a stepping stone to a future communistic state.

The Ambassador said that he had provided a plane to take the Committee of Seven and General Wang to Yen-an on July 1st; that the Committee had requested his assistance in the discussion, but that he would not do so unless also requested by the Communists.

The Ambassador inquired whether the Communists would be willing to join in a Steering Committee to advise throughout during the

transition period (remainder of the "period of tutelage" which would presumably end with the adoption of a constitution by the National Assembly opening on November 12th) and suggest ways and means to improve the Govt. General Wang replied that this would depend on whether the Committee had real power, if it were only to be a committee without real authority, then it would not be acceptable.

The Ambassador recalled that he had brought the Communist 5-point proposal to Chungking, where some Govt officials had told him that he had "been sold a bill of goods" by the Communists. However, he felt that he was making progress in convincing the Gmo that the proposals were generally reasonable, when the Communists sent in four additional conditions, namely:

1. Release all political prisoners in the country such as Chang Hsueh-liang, Yang Hu-chen, Yeh Ting, Liao Ch'eng-chih and numerous other patriots still in prison.

2. Withdraw the large Kmt forces surrounding the Shensi-Kansu-Ningsia border region and those attacking the New Fourth Army in Central China and the anti-Japanese column in South China.

3. Abolish all the repressive regulations restricting freedom of the people.

4. Stop all special secret service activity.

General Chou En-lai asked that these conditions be met by the National Government as conditions precedent to any agreement by the Communists on the five points which they themselves had submitted through the Ambassador. The arrival of these new proposals blocked his efforts as the Gmo refused even to consider them. General Wang said that if the Government had agreed to the four points, there would have been no trouble over the five points. The Ambassador pointed out that if the four points had been accepted the Communists would have obtained all they wanted and would not have needed to go further with the five points. The Ambassador remarked that the Govt had already withdrawn some 60,000 troops from the north; there was considerable freedom of speech and press (the Communist newspaper is allowed to be published in Chungking); and Secret Police were necessary in wartime to deal with important security matters, as witness of CBI<sup>84</sup> and England's Scotland Yard. The Ambassador said that if the 5-point proposal was agreed to, the Communists would then be a part of the Govt and would themselves take a hand in the settlement of the questions included in the four-point proposal.

General Wang believed that the 5-point proposal, with some alterations, would still be acceptable to the Communists as a basis for nego-

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<sup>84</sup> Symbol of American intelligence unit.

tiations, indicating, however, that they would like to see the four points accepted before agreeing on the five points. The Ambassador said that the Gmo had informed him that he is prepared to make generous political concessions in order to bring about national unity—indicating that he was speaking of the Gmo, as distinct from the Govt. The Ambassador told General Wang that he believed the 5-point proposal of the Communists and the 3-point proposal of the Government contained in themselves sufficient basis for an agreement between the parties. The Ambassador felt certain that the Communist 5-point proposal with some alterations would be acceptable as a basis for negotiations.

General Wang requested that, while the Committee of Seven was engaged in conversations with the Communists at Yen-an, the Ambassador endeavor to persuade the Gmo to accept the 4-point proposal as a condition precedent to further negotiations. The Ambassador replied that for the reasons already stated, he could not do so. Action on the four points should come after and not before an agreement with the armed Communist Party. The Ambassador stated frankly that nearly everyone familiar with the situation was of the opinion that if the Gmo conceded the four points prior to an agreement the Communists would not enter into any agreement at all. The Ambassador pointed out further that events were moving very rapidly and that perhaps the logic of events would bring a solution of the controversy between the Communists and the Government without strife and without formal agreement.

The Ambassador said that in his opinion one of the most serious factors prejudicing a settlement between the Communists and the Kmt was their mutual lack of confidence. He expressed his earnest hope that the Kmt, Communists, Democratic League and others would now get together as patriotic Chinese and endeavor to create a free, united and democratic China.

HURLEY

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893.00/7-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 7, 1945—9 p. m.

[Received July 7—1:25 p. m.]

1127. Six members of the Committee, accompanied by General Wang Jo-fei, flew to Yen-an on July 1 (Embassy's 1067, June 28, and 1081, June 30). The seventh member, Mr. Wang Yun-wu, was prevented from going by illness. The 10[6?] members returned to Chungking on July 5. General Wang did not accompany them, but they said he

was expected to return within a few days. (Sent to Dept., repeated to Moscow.)

Dr. Fu Ssu-nien informed Smyth that the situation was "hopeful" but that he was neither pessimistic nor optimistic. He added that a major obstacle appeared to be the mutual lack of confidence between Kuomintang and Communists.

The Generalissimo is meeting the Committee this evening and will receive from them a document from the Communists brought back by the Committee. I expect to be informed on the contents of the document tomorrow and will then communicate further with the Dept.

HURLEY

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893.00/7-745

*The Second Secretary of Embassy in China (Rice) to the Ambassador in China (Hurley)*<sup>85</sup>

No. 236

SIAN, July 7, 1945.

SIR: I have the honor to refer to my despatch no. 234, July 7 [6], 1945<sup>86</sup> on the subject of the visit to Sian made from July 1 to July 4, 1945 by Generalissimo Chiang Kai-shek and to report as follows remarks in regard to the Chinese Communists which he made in the course of an interview granted here to a visiting group of American newspaper correspondents. (These remarks, made "off the record", were repeated to me in about the same form by two different persons who were present.)

In the course of the above-mentioned interview, which otherwise was principally devoted to generalities, one of the correspondents asked the Generalissimo if he had any comment to make on prospects for Chinese unity. He replied that China already is united. He then was asked, "But what about the Chinese Communists?" To this he is stated to have replied that the Communists are not Chinese. He explained that they do not follow the orders of the Chinese Government or obey its laws and so cannot be considered Chinese. The Generalissimo, it would appear, considers that the Communists are not merely prodigal sons who may some day return to the Chinese family home, but rather are sons who have been disowned by the rest of the family and no longer would be welcomed back.

The Communists themselves, according to Central Government officials in this area, have cut loose from participation in affairs of the Central Government. A responsible official at Sian is reliably quoted as saying that they plan themselves to call a People's Congress

<sup>85</sup> Transmitted to the Department by the Embassy in China on July 27 without covering despatch, received August 8.

<sup>86</sup> Not printed.

in competition with that to be convened by the Chungking authorities. Moreover, he is quoted as stating, they have caused additional uneasiness by setting the date for its convening ahead from November 12 to October 10, 1945. (Assumably they wish to steal the Central Government's thunder.)

Respectfully yours,

EDWARD E. RICE

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893.00/7-1045: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>87</sup>

CHUNGKING, July 10, 1945—1 p. m.

[Received July 10—8:21 a. m.]

1139. Dr. Wang Shih-chieh, Minister of Information, advised the Embassy yesterday that the new Communist proposals brought back from Yen-an covered principally two main points: (ReEmbtel 1127, July 7) (1) that the National Government call off (at once?) [or postpone] the National Assembly scheduled for November 12; (2) that the National Government summon a political conference composed on the basis of equality of representation of the Kuomintang, Communists and Democratic League, three members from each party with an additional three members to be chosen from independent political parties or organizations.

The function of the political conference is to decide the time for the termination of Kuomintang party rule, the organization of coalition government and to set up a program for the new government. (Sent to Dept as No. 1139, repeated to Moscow.)

Dr. Wang said that the new Communist proposal made no mention of the main purpose of the meeting, namely, the unification of the military forces of China.

Dr. Wang pointed out that if a political conference was called on the basis suggested by the Communists, the Communists, a minority party, the Democratic League, a very small party with Communist leanings, and two still smaller independent parties with Communist leanings, all of which together represent only a minority of the Chinese people, would control the political conference. This is said to be a deep laid plot by which the Communists expect to get control of the National Government. If it is a plot at all, it seems naive.

My own opinion is that even the Communists do not take this play seriously. It is their way of playing for time awaiting the results of the Soong conference at Moscow.

We advised President Roosevelt more than a year ago that the Communist problem in China could not be settled until the Soviet attitude

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<sup>87</sup> In telegram No. 1141, July 10, 4 p. m., the Ambassador requested the Department to repeat No. 1139 to the Secretary of State (en route to Potsdam).



toward the Chinese Communists was known to us and understood by Chiang Kai-shek. In compliance with this suggestion we went to Moscow late in August, 1944, for the purpose of ascertaining definitely the Soviet attitude toward the Chinese Communists. We did ascertain that attitude and we did recommend more harmonious relations between the Soviet and China. (See my telegram to the President and Marshall, NR 22221, dated September 8 [7], 1944<sup>88</sup> and many others to the President. Our telegram to Secretary of State NR 167, February 4, 1945,<sup>89</sup> and the Secretary of State's telegram to me dated February 6, 1945, NR 200,<sup>90</sup> and many others.)

Personally we convinced Chiang Kai-shek of the advisability of sending an emissary to Moscow. Soong was chosen. The Soviet agreed to receive him the latter part of February. We thought a solution would be reached at that time. Soong's visit to Moscow was postponed from time to time for various reasons all of which were reported.

We are convinced that the influence of the Soviet will control the action of the Chinese Communist Party. The Chinese Communists do not believe that Stalin has agreed or will agree to support the National Government of China and the leadership of Chiang Kai-shek. The Chinese Communists still fully expect the Soviet to support the Chinese Communists against the National Government. Nothing short of the Soviet's public commitment will change the Chinese Communist opinion on this subject.

The Chinese Communists are threatening to publish the five-point basis for settlement which we obtained from them November 10, 1944, and presented to the National Government. The Communists say they will charge that we were the author of the five points. We will not deny the charge if it is made but we are too modest to claim that we are the sole author of the five points. They contain much Communist material and suggestions.

The publication of the five points at this time will not be embarrassing. It will in fact be helpful. I have told the Generalissimo that Mao Tze-tung seems to want to publish the five points. We asked permission of the Generalissimo to say to Mao Tze-tung that we would consent to the publication. The Generalissimo gave his approval. However, on further consideration, we thought possibly the publication of the five points and a Communist-National Government debate at this moment might not be helpful to Soong's negotiations in Moscow. For that reason we shall not tell Mao Tze-tung for the present that there is no objection to publication but we do believe

<sup>88</sup> *Foreign Relations*, 1944, vol. VI, p. 154.

<sup>89</sup> *Post*, p. 851.

<sup>90</sup> *Post*, p. 852.

that all offers of settlement from both sides should be published at an early date.

The reasons we favor the publication of the five points is that they offer (1) a reasonable basis for settlement; (2) a unification of two objectives of the Chinese Communist Party, the Kuomintang and the National Government and (3) the only document that Mao Tze-tung has ever signed in which he agrees to conditions under which the Chinese Communist Party will submit control of the Communist Army to the National Government. The five points are not altogether satisfactory to the National Government but they do furnish a basis on which a fair settlement can be obtained. (For the five points see our message to the Secretary of State, NR 141, January 31, 6 p. m.).

We are advising the National Government that if an agreement is reached with Russia the National Government can afford to be very generous in the political concessions it will have to make to secure the unification of the armed forces of China.

Before the Yalta Conference, I suggested to President Roosevelt a plan<sup>91</sup> to force the National Government to make more liberal political concessions in order to make possible a settlement with the Communists. The President did not approve the suggestion.

I believe the Soviet's attitude toward the Chinese Communist is as I related it to the President in September last year and have reported many times since. (See my Navy telegram NR 232355, December 23, 1944, to the Secretary of State.<sup>92</sup>) This is also borne out by Stalin's statement to Hopkins and Harriman. Notwithstanding all this, the Chinese Communists still believe that they have the support of the Soviet. Nothing will change their opinion on this subject until a treaty has been signed between the Soviet and China in which the Soviet agrees to support the National Government. When the Chinese Communists are convinced that the Soviet is not supporting them, they will settle with the National Government if the National Government is realistic enough to make generous political concessions.

The negotiations between the Government and the Communist Party at this time is merely marking time pending the result of the conference at Moscow.

The leadership of the Communist Party is intelligent. When the handwriting is on the wall, they will be able to read it. No amount of argument will change their position. Their attitude will be changed only by the inexorable logic of events.

The strength of the armed forces of the Chinese Communists has been exaggerated. The area of territory controlled by the Communists

<sup>91</sup> See telegram from the Ambassador in China to President Roosevelt, January 14, 3 p. m., p. 172.

<sup>92</sup> Apparently the Ambassador's telegram received in the Department on December 24, 1944, 12:10 p. m., *Foreign Relations*, 1944, vol. vi, p. 745.

has been exaggerated. The number of the Chinese people who adhere to the Chinese Communist Party has been exaggerated. State Department officials, Army officers, newspaper and radio publicity have in large measure accepted the Communist leaders' statements in regard to the military and political strength of the Communist Party in China. Nevertheless with the support of the Soviet the Chinese Communists could bring about civil war in China. Without the support of the Soviet the Chinese Communist Party will eventually participate as a political party in the National Government.

HURLEY

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FE Files, Lot 52-354

*Memorandum by the Assistant Chief of the Division of  
Chinese Affairs (Chase)*

[WASHINGTON,] July 16, 1945.

Reference attached excerpts from FCC Daily Reports of July 11, 12 and 13, 1945.<sup>93</sup>

Yenan is becoming more and more vitriolic and extremist in its broadcasts; talks in an excited, abnormal tone, suggesting that the present Chinese Communist propaganda has some urgent relation to immediate events and Communist objectives. The personal attack on Chiang Kai-shek is increasing rapidly; "American imperialists", especially "Ambassador Hurley", have become a major target of violent invective; allegations of Kuomintang armed attacks on Communists are becoming frequent and sweeping; and progress toward the convention of the Communists' proposed "conference of liberated China's people's representatives" is being aggressively publicized.

It would be interesting to know whether this outburst represents primarily: (1) tactics designed by the Communist leaders themselves in relation to the current phase of their political rivalry with the Kuomintang; or (2) a line which the Soviet Union is encouraging Yenan to follow. If it reflects Soviet guidance, the propaganda might represent timed "evidence" to bolster Russian bargaining in the Soong-Stalin<sup>94</sup> and Big Three talks.<sup>95</sup> It might also be an indirect way of revealing Soviet mistrust of and opposition to Chiang's regime, as presently constituted, and the extent to which it is being supported, advised and armed by the United States. A recent despatch from Moscow (to be circulated as soon as copies have been prepared)<sup>96</sup> lends

<sup>93</sup> Not found in Department files.

<sup>94</sup> See pp. 851 ff.

<sup>95</sup> For conference held at Potsdam between President Truman and the British and Soviet Premiers, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference)*, 1945.

<sup>96</sup> Not found in Department files.

color to a belief that Moscow may be thus utilizing the Chinese Communists to express or emphasize views which the Russians wish to avoid stating, or at least stressing, in their direct conversations. In any event the fact that the Communists' attack on the "Chiang-Hurley" policies comes at this particular international juncture may not be without significance.

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FE Files, Lot 52-354

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent) to the Under Secretary of State (Grew)*<sup>97</sup>

[WASHINGTON,] July 16, 1945.

Reference is made to a memorandum from the Office of the Under Secretary requesting the preparation of a brief commentary on the attached paper by Mr. William R. Johnson on the subject "Will Russia Supersede Japan as Aggressor in the Orient?"<sup>98</sup>

Mr. Johnson's paper centers on the thorny subject of Kuomintang-Communist relations and his concept of what American policy should be in relation to China.

In brief, Mr. Johnson holds that for several years the American public has been subjected to an intensive propaganda campaign which has as its aims: (1) disparagement of the Chinese National Government, and (2) glorification of the Chinese Communists. The final objective of this campaign, according to Mr. Johnson, is the establishment in China of a Communist government dominated by the U.S.S.R. Mr. Johnson considers that such a development would be contrary to traditional United States policy and would jeopardize the interests and security of the United States. He consequently advocates continued United States support of the National Government of China as the policy best calculated to advance both the interests of China and the United States.

Mr. Johnson regards the propaganda which he asserts is being disseminated in this country in favor of the Chinese Communists as self-contradictory and misleading, and he undertakes on page 2 of his paper, in summary form, and on the following pages in extended form, to set forth six "reasons" as to why he is opposed to the conclusions which he regards as inherent in the propaganda campaign to which he makes allusion.

The six "reasons" (the last of which relates to the author's concept of American policy toward China) are succinctly outlined on page 2 of the paper and clearly indicate its scope and content. It is accord-

<sup>97</sup> Drafted by Everett F. Drumright of the Division of Chinese Affairs.

<sup>98</sup> Neither found in Department files.

ingly recommended that these six "reasons", together with part VII (pages 28–30), be read in their entirety.

It may be noted here that Mr. Johnson is an American missionary of many years' experience in China, and that by virtue of his residence in Kiangsi Province during the period of Chinese Communist ascendancy in the lower part of the province (1928–1934) he was in a unique position to study the activities and policies of that group.

It seems evident that Mr. Johnson has drawn to a considerable degree on his own knowledge and observations in support of the conclusions advanced in his paper. It seems evident, also, that he has put much thought and care into its preparation. There can be little question but that Mr. Johnson is sincere in his convictions—particularly his distrust of the Chinese Communists.

While some of Mr. Johnson's asserted statements of fact may be open to question and perhaps certain of his convictions may be regarded as extreme, he has nevertheless written a paper which is worthy of consideration and study.

In this general connection, Mr. Johnson appears to be laboring under the apprehension that United States policy has been influenced by the propaganda campaign to which he alludes: specifically, that some of our chief representatives in China have applied pressure on Chiang Kai-shek in behalf of the Chinese Communists (see last paragraph on page 27). While the United States seeks internal unity in China, it is obvious that the United States does not seek unity in China at the sole expense of the National Government or to promote the ambitions of the Chinese Communists, but in order to foster the prosecution of the war and to bring about stability in China. Also, while there is reason to believe that the Chinese Communists have a close ideological affinity with the Soviet Union, Mr. Johnson's conclusion that they would willingly alienate Chinese territory to the Soviet Union seems scarcely tenable (see (3) page 2).

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FE Files, Lot 52–354

*Memorandum by Mr. Everett F. Drumright of the Division of  
Chinese Affairs*

[WASHINGTON,] July 19, 1945.

According to a Yen-an transmission, recorded by the FCC, a meeting of "different circles in the Shensi, Kansu, and Ninghsia border region" was held in Yen-an on June 21, 1945, to discuss the "promotion of a convention of Liberated China People's Representatives Conference".

Lin Tzu-han, Chairman of the "Border Region Government", referring to a proposal offered by Mao Tse-tung at the recently held Seventh National Congress of the Chinese Communist Party, proposed at the

meeting that a "preparatory committee" be formed to arrange the details for the holding of such a conference. Lin's proposal was approved, a preparatory committee of nine members organized, and measures devised to send a circular telegram to the "governments and people's organizations of various liberated areas behind the Japanese lines". It was pointed out in the circular telegram that although the "nineteen big liberated areas . . .<sup>99</sup> have become a model of independent, free and united New China . . . there is no federated organization Japanese work and unification of anti-Japanese forces to fall short of of these liberated areas, which causes the strengthening of the anti-requirements". Added reasons for the holding of such a conference were outlined in an editorial published in the June 23 edition of the Communist *Emancipation Daily*. It was held that unity of the "liberated areas" is essential to collaboration with Allied troops in recovering "the big cities and all lost territories", as well as in striving for "nation-wide democratic reforms, solidarity and unification . . . and how to aid the democratic movement in Kuomintang-controlled areas, stop the danger of civil war, strive for nation-wide democratic reforms, national solidarity and unification and promote the realization of an independent, free, democratic, unified, prosperous and strong New China".

*Comment:* The foregoing and later information reaching the Department via the Yen-an broadcasts clearly indicate that the Chinese Communists are proceeding with plans to set up a separate regime in the areas controlled by them. It seems likely that this new federated Communist regime will be activated by the end of the present year. The establishment of the new regime will in a sense put a seal on what has been a fact for several years: the existence of a regime with an army and a political administration which operates independently of the Chinese National Government. It may be taken for granted that the Chinese National Government will take no official cognizance of the newly and formally organized Communist regime. On the other hand, the new Communist regime may be expected to exert every claim to being the legitimate government of the Chinese people and will utilize its propaganda to the greatest possible degree with a view to persuading the Chinese people to abandon the Kuomintang and give their allegiance to the Communists. The new Communist regime may also be expected by the use of propaganda and other means to seek the support of foreign powers. Those powers which continue to accord support to the National Government will doubtless be labeled "reactionary", "imperialist", "undemocratic", "interventionist", and every effort will be made by the Chinese Communists to persuade the Chinese people to accept such propaganda. Already the initiation of such a

<sup>99</sup> Omissions in this memorandum indicated in the original.

policy can be seen in the Communist attacks leveled at Ambassador Hurley.

While the “formal” establishment of a federated Communist regime may not necessarily be the signal for the commencement of general internecine strife, it will without doubt be an important step in that direction.

Should it become the policy of the Soviet Union to intervene in the internal affairs of China—as she did in 1925—it will be apparent that the setting up of a separate federated Communist regime in North China would offer a convenient vehicle for the carrying out of such a policy. As has been said above, the Chinese Communists will doubtless claim that they are the legitimate agents of the Chinese people and the Soviet Union might find it convenient to recognize that claim, and, if the Soviets chose to do so, join the Chinese Communists in declaring that those powers who supported the Chinese National Government were supporting a regime which was “reactionary” and “undemocratic” and which had forfeited the confidence of the Chinese people, et cetera.

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893.00/7-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 20, 1945.

[Received July 20—4:30 p. m.]

1194. People's Political Council adopted on July 19 by vote of 187 out of 196 members present following four resolutions (as appearing in *Central News*) which had been recommended by special committee of 30 members comprising various political factions, appointed by council to study and report on various proposals relating to inauguration of constitutional rule and convocation of National Assembly:

“1. The date for the convocation of the National Assembly is to be left to the discretion of the Government.

2. The membership of the Assembly, with due regard to the legal and practical aspects of the issue and in accord with the opinions of the P. P. C. members, to have the fullest possible representation of all classes of people in the country.

3. When a constitution is adopted, a constitutional government shall be inaugurated.

4. Prior to the convocation of the Assembly, the Government to continue to employ all available political means for attaining national unity and solidarity, to insure freedom of opinion, of publication, of assembly, of organizing political societies, to enforce the Habeas Corpus Act, to recognize the legal status of various political parties and to complete the setting up of people's representative organs in

all provinces of free China in order to lay a solid foundation for local self-government.”

Following adoption of resolutions, Dr. Wang Shih-chieh, presiding, requested all members to assist Government in its efforts to make necessary preparations for inauguration of a constitutional regime at an early date and to make National Assembly fully representative of people. He expressed hope that Government will adopt and enforce resolutions.

Further reports on PPC will follow.

HURLEY

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893.00/7-2145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 21, 1945—1 p. m.

[Received 8:10 p. m.]

1205 bis. From Smyth. The People's Political Council which adjourned July 20 was marked by frank and vigorous discussion and a relatively liberal press censorship on publication of proceedings.

The Council evinced a general determination to bring about unity in China and to inaugurate constitutional government. Although there was heated debate on questions relating to the inauguration of constitutional rule and the convocation of the National Assembly, the Special Committee of Thirty (comprising members of various political factions) appointed to study the matter, was able to agree on four proposals which were adopted as resolutions by a large majority in the Council (Embassy's 1194, July 20).

In a preamble to its four proposals, the Special Committee said in substance that, although opinions of its members differed on several points, it was their unanimous expectation that constitutional government must be realized as soon as possible, that preparatory work must be expedited, that the National Assembly must be a completely representative body, and that unification of the whole country must be effected.

Several members of the Special Committee have informed officers of the Embassy that invitations will shortly be issued to all parties, including the Communists, to attend a meeting to discuss the question of representation in the National Assembly. They state they believe that Communist delegates will attend and that the meeting will decide on a broadening of representation in the assembly, including, in particular, a considerable increase in Communist representation. One of these men, an independent who went to Yen-an recently with PPC Committee of Six, appeared more optimistic than he had been prior to



the PPC meeting over the possibility of a *rapprochement* between the Government and the Communists, particularly, he said, if agreement should be reached between Moscow and Chungking. Although the Government is under no compulsion to act upon resolutions adopted by the PPC, it is generally expected that the four resolutions mentioned above will receive favorable consideration by the Government. The strong desire of the people for unity and for constitutional rule, as evidenced in the recent PPC, will, it is believed, have its influence on the Government. [Smyth]

HURLEY

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Moscow Embassy Files, Lot F-96—800 Chinese Communists

*Memorandum by the Second Secretary of Embassy in the Soviet Union (Davies) to the Ambassador in the Soviet Union (Harriman)*

[Moscow,] July 26, 1945.

MR. AMBASSADOR: Attached is a copy of a telegram dated July 10, 1 p. m. from Ambassador Hurley<sup>1</sup> which arrived in a badly garbled form and which has been serviced three times, with attendant delays.

We offer the following comment on this message:

The contention of this message appears to be that if the Soviet Government can be persuaded to announce publicly or demonstrate through a treaty its support of Chungking (and by inference, its repudiation of Yen-an), the Chinese Communists will realize that they are without foreign backing and will come to terms with Chungking.

We feel that the Soviet Government could quite easily repudiate Yen-an publicly without basically altering Yen-an's intransigent attitude. We base this view on:

1) The dual nature of the Soviet system. If Yen-an is controlled from Moscow, it is not by the State apparatus—the Government—but by the Party. The State can, when the Kremlin wishes, publicly follow an unexpectedly conciliatory and sedative policy in matters affecting the interests of other powers. At the same time, the Party can do just the opposite, whispering discreetly in the appropriate ears that it's all for show and need not be allowed to affect realities.

2) Should the Soviet Government publicly repudiate Yen-an and the Party pronounce an anathema against the Chinese Communist Party (which is hardly thinkable), it does not necessarily follow that Yen-an would capitulate to Chungking's terms. We question even the assumption that if all foreign support were withdrawn from Yen-an, it would seek to come to an agreement with Chungking. Readily granting that the Chinese Communists are not as firmly and extensively entrenched as they claim, they are still many times more

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<sup>1</sup> Telegram No. 1139, p. 430.

powerful than during the period 1927-1937 when, with no foreign support save huzzas and poor coaching from the Comintern bleachers, they resisted Chiang with embarrassing persistence. We feel that Soviet influence can sometimes be overestimated. The indigenous strength, vitality and obstinacy of Yen-an is a factor not to be ignored and one which, in the last analysis, means that if China is to be unified through negotiations, Chungking is going to have to make the bigger concessions.

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893.00/7-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>2</sup>

CHUNGKING, July 30, 1945—midnight.

[Received July 31—3 a. m.]

1255. Since the appearance of sensational accounts in the Yen-an radio July 25 of large scale clashes between Communist and Government forces north of Sian, the Embassy has been endeavoring to obtain reliable information as to what actually has occurred. Army G-2 here has thus far been unable to provide the desired information.

On July 25 the Embassy telegraphed Secretary Rice at Sian, requesting a summary of any information he might have. His reply dated July 28 and received today follows:

“Regular troops were suppressing militia revolt northwest of Sian. Though trouble not of Communist origin, militia apparently went over to Reds. Degree of participation of Communist troops is [*in?*] subsequent fighting not clear. Original lines now approximately restored.”

Embassy also received today from Rice despatch No. 246 of July 23 (copy of which went forward to Department by pouch today)<sup>3</sup> giving some background information obtained from First War Zone sources, a summary of which follows:

Commanders of three provincial peace preservation corps (militia), who were about to be relieved of their posts, revolted June 28 and created local disturbances at Chunhwa, Shensi, just this side of what had long been the border between Communist and Government controlled territory. Shortly after outbreak of revolt, authorities at Sian began moving troops of 59th Division from Sian towards Chunhwa. Revolting officers then realized their position was impossible and decided, either before or after a certain amount of fighting, to join the Communists. They and such Communists as had entered Chunhwa have now withdrawn northwards. Rice states that the Chief of Staff, First War Zone, does not confirm detailed accounts given American officers by an officer of First War Zone staff of Communist columns moving southwards and threatening Sian. Chief of

<sup>2</sup> Repeated to the Ambassador in the Soviet Union by the Acting Secretary of State in telegram No. 1743, August 4, 2 p. m.

<sup>3</sup> Not printed; it was received August 8.

Staff states that another body of troops, belonging to 17th Division of 38th Army has gone over to the Communists within past few days. *End of summary.*

Both Government and Communist spokesmen have made claims that the other side is to blame for the trouble, but from Rice's report it would appear that the affair was not premeditated by either side and was caused by the provincial militia revolt mentioned above.

Embassy will endeavor to obtain and report further information on this matter.

HURLEY

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893.00/7-3145

*Memorandum by Colonel S. V. Constant, Director, Security and Intelligence Division, Headquarters, Second Service Command*

[NEW YORK,] July 31, 1945.

1. W. H. Donald, age 68, was born in Australia and educated there and in England. In 1903, he went to China as an advisor to the Viceroy of Shantung Province and remained in the country for approximately 42 years except for periodic visits abroad. During these years he personally knew China's leaders including Sun Yat Sen and succeeding dignitaries, working closely with them while engaged in private work as a newspaperman. At various periods he was editor of the *China Mail*, correspondent for the *N. Y. Herald Tribune*, and *Manchester Guardian*, among others. In 1928 or 1929 he ceased newspaper work to devote his time and energy to China's political problems and in 1934 became personal and political advisor to Generalissimo Chiang Kai Shek. As an advisor to him, Source knew intimately the leading Chinese dignitaries and worked closely in the shaping of China's policies. In 1940, due to a personal difference of opinion with the Generalissimo on a matter of interpretation of policy, Source left China and went to the Philippines. He remained there until internment by the Japanese in Los Banos, Philippine Islands, and several other camps while the Japanese futilely sought to locate and identify him as a personal friend of the Generalissimo and one intimately connected with Chinese affairs. His identity was never discovered by the Japanese. Upon release from internment, he was aided in returning for rest to the United States by G-2 offices in Manila to whom he reported in length. At San Francisco, New York, and Washington, since his recent return, he has reported to various Intelligence Agencies on Chinese military and political aspects, both domestic and foreign. Source was extremely open and frank and spoke with authority on China's problems, based on his personal acquaintance with leading

Chinese personalities over a period of 42 years. He was interviewed 26 July 1945.

2. Source stated that many aspects of Chinese internal problems could be settled by the simple expediency of a change in the approach of the United States to China which would, at the same time, bring about fundamental alterations in their foreign policies. Changes in foreign and domestic status would be highly beneficial to the United States.

The change advocated by Source centers upon the policies of various American military and political advisors to the Chungking Government. It has been the general practice, Source stated, for such advisors to urge, upon the Generalissimo, complete and full cooperation with the Chinese Reds, whereas the situation should be reversed; our advisors should demand of the Chinese Reds, as a rebel, and recalcitrant force, that they should be the yielding force rather than the Chungking National Government.

Source asked simply, "if the Communists of this country became a rebel source and a continual sore spot and Great Britain's advisors urged the Washington National Government to yield to those Reds, what would the people of this country think of Great Britain taking such a stand? That is the similar situation in China today. China resents the sustained 'hammering' of our advisors on the Generalissimo in an effort to secure greater national cooperation. Let them go to Yen-an and make those demands of the Chinese Communists".

China, he added, nationally, sees no reason why it should yield in its determined efforts to get the full cooperation of the Reds. The Chungking Government is the nationally constituted party and should be so recognized. It is up to the Chinese Reds to recognize this.

As is well known the Generalissimo has long fought the Communists and, Source stated, will continue to do so. The sooner our various representatives to China learn this, the sooner will the United States position in China be bettered. China needs the full aid of this country and by getting it, China's internal problems will be more easily ironed out to the satisfaction of all concerned.

Source believes the sooner our advisors to the Chungking government cease trying to force the Generalissimo to give in to various Chinese Red demands the quicker will be the results for all. In the same vein, we should desist in sending as advisors, the "table pounding, shouting, dynamic" type, for once a "table is pounded", the Chinese feel they have "lost face". And the act of "losing face" is a serious problem, full implications of which are rarely grasped by the Occidental mind.

Source stated that many of the aspects of the Red problem in China could be countered if the United States could convince the Yen-an [Reds?] of the necessity of the two following points:

1. To institute an organized, sustained campaign against the Japanese, rather than sporadic "columnar" attacks, thereby at the same time showing to one and all there is no hoarding of arms and supplies for a possible civil war later.
2. To give greater cooperation to the Kuomintang government, especially in the disposition of Armed Forces under Nationalist command.

Source does not believe the Yen-an Reds are operating and functioning with the backing and favor of the U. S. S. R. In 1936, he said, Russia withdrew its support of the Chinese Communists. The present group of Chinese Communists are a "hangover" minority presently trading on former Russian influence, each striving for personal gain and influence through a "reign of terror and demoralization and excessive taxation in an effort to secure more territorial gain".

Source feels that the United States policy of "kowtowing" to the Yen-an group is a serious mistake. "And we would be arming a civil war, were we to supply arms to a rebel political party. They have no more reason to be armed in China than they have in America".

But, Source stated, there are serious defects in the Kuomintang itself. Source has long attempted to convince the Generalissimo of the necessity of certain governmental changes. Source advocated:

1. Formation of a Chinese Civil Service to secure only the properly educated and qualified for governmental service.
2. Repudiation of incompetent ranking officials who secured their positions through favoritism, friendship or financial standing.

Most officials in the present government, he added, are there by virtue of personal "pull" or their financial standing. As a result, there is no progressive spirit and a definite lack of nationalism so that in his opinion "95% of the present Kuomintang should be booted out". In addition, there is a pro-German element, a "bad lot", who in 1940 were subtly attempting to push China into the Axis sphere, although now are avowedly pro-American, and rabidly nationalistic: This "lot" he said were led by Ho-ying Ching, former Minister of War and Chu Chao Hwa,<sup>4</sup> both of whom still yield strong influence and "are bad for the Generalissimo". Both men asked Chiang Kai Shek for the deportation of Source in 1940, and both are still very close to the Generalissimo. Their influence on China's domestic and international policies, with the possibility of an inimical attitude to the United

<sup>4</sup> Chu Chia-hua, holder of prominent positions in the Kuomintang and in the Nationalist Government throughout the 1930's and early 1940's; Minister of Education from November 1944.

States can be broken only, Source stated, by winning back Chiang Kai Shek's confidence in the United States intentions, backing him in his national political efforts and encouraging his government by all out political cooperation and matériel supply.

Source feels that T. V. Soong, long antagonistic personally to the Generalissimo, might tend to show partiality to the Chinese Reds. It is Soong's ambition, he added, to run China and to have the Generalissimo take his orders. As long as the Yen-an group opposes Chiang Kai Shek, Soong will find personal pleasure in the situation, for in it Soong can see a threat to Chiang Kai Shek's power. He will continue to be considerate of the Reds and rebels of China no matter who they might be as long as they constitute any menace to Chiang Kai Shek. Source feels that upon the death of Chiang Kai Shek, Soong will try and step in his shoes. He feels that Soong has a good international reputation and is internationally minded and as a result might bring progress to China in the international picture, provided he and the Generalissimo continue to work together at least outwardly, although inwardly they are not in accord personally with one another. Source believes that Soong's present conferences with Stalin might prove of benefit to China, provided he forgets his personal dislike of the Generalissimo, and does not grant too much to Russia to enable them "to do in China what the papers here in America might push the Russians into doing". But, he added, he believes Soong's position will depend largely upon how much a threat he presents to Chiang Kai Shek's influence and could possibly be relieved of his duties if that threat becomes too powerful.

Referring again to the practices of the United States toward China, Source advises:

1. Present advisors should prove to China that the United States is trying to help them.
2. Do away with unequal treaties and selfish private enterprise practices which exploit China.
3. Drop as quickly as possible our feeling of superiority over the Chinese and eliminate the "table pounding" type of advisor, both military and economic.
4. Engage in as quickly as possible a campaign to win China's confidence as to our intentions toward them, to eliminate the threat of which we think Russia might be led to do in China if they gain China's confidence.

For the Commanding General:  
S. V. CONSTANT

POLITICAL CONDITIONS IN CHINA FOLLOWING THE  
JAPANESE SURRENDER; CONTINUED INTEREST OF  
THE UNITED STATES IN EFFORTS TO END CON-  
FLICT BETWEEN THE NATIONAL GOVERNMENT  
AND THE COMMUNISTS (AUGUST-DECEMBER) <sup>1</sup>

761.9311/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—9 a. m.

[Received August 16—4:06 a. m.]

1365. Last night the Generalissimo<sup>2</sup> told me that he received a cable from Dr. Soong<sup>3</sup> in Moscow stating that the Sino-Soviet treaty<sup>4</sup> was expected to be signed last Tuesday night. He stated that the news that the treaty had been signed was publicly broadcast but he had no official confirmation of that fact. He stated that Russia made some concessions toward meeting his conditions in regard to Port Arthur. He also said that for a time Russia declined to agree to establish boundary lines for Outer Mongolia. He stated that a satisfactory agreement had been reached in regard to the boundary. He discussed freely his attitude on all the terms of the treaty which I will not repeat to you here as the Department has been kept fully advised. He expressed himself as being generally satisfied with the treaty.

My reports, especially those rendered to President Roosevelt, will show that the Generalissimo has always doubted the Soviet's position in regard to its relations with the Chinese Communists. Yesterday he thanked me for the basis that I had helped him to lay for *rapprochement* with the Soviet. He also expressed appreciation for the first time for the two visits I have made to Moscow on that subject. In fact he admitted that the Sino-Soviet treaty indicates (1) an intention on the part of the Soviet to assist in bringing about unification of the armed forces of China; (2) to support China's efforts to create a strong, united, democratic government and (3) to support the National Government of China.

<sup>1</sup> For documentation on political conditions prior to the Japanese surrender, see pp. 153 ff.

<sup>2</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>3</sup> T. V. Soong, President of the Chinese Executive Yuan (Premier).

<sup>4</sup> Treaty of friendship and alliance, signed at Moscow, August 14, 1945; Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585. For documentation, see pp. 851, ff.

After this conversation I suggested to the Generalissimo the advisability of sending an invitation to Mao Tze-tung, Chairman of the Communist Party of China, to confer with the Generalissimo in Chungking. The invitation has been sent. If Mao Tze-tung accepts the invitation, the armed conflict between the Communist Party of China and the National Government may be reduced to a political controversy. The logic of events would seem to indicate this result except for *one* factor and that is the question which I have raised definitely with the State Department and the War Department—whether Japan will be permitted to surrender any of her arms to the armed Communist Party in China? <sup>5</sup> Unquestionably, as the record which I have sent you shows, the Communists desire to acquire Japanese arms to continue their position as a belligerent within China.

Chiang Kai-shek will now have an opportunity to show realistic and generous leadership. He will have an opportunity to show his qualifications for leadership of the Chinese people in peace as well as in war. I am with the Generalissimo frequently. I wish to assure you, however, Mr. Secretary, that while I am suggesting I am not assuming responsibility for his decisions. I insist continuously that the Chinese people must furnish their own leadership, make their own decisions and be responsible for their own policies.

HURLEY

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893.00/8-1845

*The Second Secretary of Embassy in China (Stevens) to the  
Ambassador in China (Hurley)* <sup>6</sup>

No. 262

SIAN, August 18, 1945.

STR: Since assuming charge of this office on August 15, I have endeavored to acquire as much information as I could regarding the Chinese Communist situation in these parts and to the north of here. I have the honor, therefore, to report as follows on recent developments in Kuomintang-Communist relations:

Despite rumors to the contrary, the Communist threat to the Sian area is still potential though not entirely dormant. There is much local talk concerning it but few factual developments determining the extent of its seriousness. The clashes which occurred at Chunhwa in mid-July and were of doubtful Communist origin did not develop to serious proportions before the restoration of order at that place, nor have there since been good evidence of alarming preparations being made by either the Nationalists or the Communists to detract

<sup>5</sup> For documentation on this subject see pp. 492 ff.

<sup>6</sup> Transmitted to the Department by the Embassy in China on August 28 without covering despatch; received September 17.



from the localized aspect of the Chunhwa incident. On the other hand, it is possible that significance should attach to the following statement made in my presence yesterday by General Teng Pao-shan, Vice Commander-in-Chief under General Fu Tso-yi of the Twelfth War Area. While on the subject of the Chunhwa incident General Teng described it as being "too premature to fit in with Communist plans, the full application of which can well afford to wait until Soviet support is assured or until the rancor of the masses against the Kuomintang rises, as it surely must rise, when the Nationalist Government fails to convene on November 12 a truly representative National Assembly."

Mao Tze-tung, it would appear, did not definitely reject the invitation which he reportedly received recently to resume discussions in Chungking. According to General Teng, whose headquarters are at Yulin, Shensi, and who functions as Nationalist liaison officer near the government at Yen-an, Mao Tze-tung stated that had he received a "proper" invitation from the Chungking authorities he would have declined because he knew that the Generalissimo had nothing new to offer and it would be a waste of time to carry on discussions with minor satellites of the Kuomintang oligarchy. Mao was quoted as having said that he would be glad to carry on discussions in Yen-an with any properly authorized representative of the Generalissimo.

Communist forces in Shansi, according to local OWI <sup>6a</sup> intelligence reports, have and are continuing to take over and retain for their own use arms and military supplies abandoned or surrendered by the Japanese, and this notwithstanding orders of the central government to the contrary. Uneasiness has been expressed in various circles at Sian that such defiance on the part of the Communists not only shows that faction's lack of appreciation for Allied assistance in liberating the homeland from Japanese domination, but also its unpatriotic determination to arm for civil war which, if it occurs, would bring economic ruin and further untold suffering to millions of Chinese people.

Respectfully yours,

HARRY E. STEVENS

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Moscow Embassy Files, Lot F-96—800 China

*Memorandum by the Second Secretary of Embassy in the Soviet Union (Davies) to the Counselor of Embassy in the Soviet Union (Kennan)*

[Moscow,] August 18, 1945.

Adam Watson of the British Embassy told me yesterday evening that Pavlov, Molotov's <sup>7</sup> secretary, had called on him on August 16 and

<sup>6a</sup> Office of War Information.

<sup>7</sup> V. M. Molotov, Soviet Commissar for Foreign Affairs.

during the course of the conversation had expressed his "perplexity" as to why the United States appeared to be so interested in China. Pavlov stated, according to Watson, that the American Embassy had that day addressed three notes to the Soviet Government regarding China,<sup>8</sup> but that the British had not sent the Narkomindel<sup>9</sup> any communications on that subject. Pavlov remarked that the American Ambassador<sup>10</sup> appeared to be intensely interested in the Chinese situation. "His eyes glittered when the subject of China was mentioned." Pavlov said that the Americans appeared to be particularly interested in the Chinese Communists. He thereupon quoted Stalin's<sup>11</sup> definition of the Chinese Communists as "margarine" communists. Expatiating on this theme, Pavlov went on to say that the Chinese Communists were really mild fellows, having begun as a group interested in the welfare of the dockers and having progressed from that to being a group solicitous of the welfare of peasants. Watson said that Pavlov's description of the communists was in a tolerantly cynical vein.

When asked what Soviet interests in China were Pavlov disavowed any Soviet concern over internal Chinese affairs.

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893.00/9-445

*Memorandum by Mr. Edwin A. Locke, Jr., Personal Representative of President Truman in Charge of the American Production Mission in China, to President Truman*<sup>12</sup>

WASHINGTON, August 20, 1945.

#### A PROPOSAL AIMED AT AVERTING CIVIL WAR IN CHINA

Civil war in China seems to me to be highly probable. If it comes it will cut across the program of the American Production Mission there. I assume that, with the Pacific war now over, our policy will be not to take sides in any way in this internal Chinese dispute. If the Mission were to remain in China after the outbreak of hostilities, the United States would be in the position of aiding one group against the other. Consequently, in the event of large-scale fighting between the Central Government and the Communists, we would in my judgment have no choice but to withdraw the Mission promptly, particu-

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<sup>8</sup> See telegrams of August 8 and 13 from the Ambassador in the Soviet Union, pp. 958, 965, and 970.

<sup>9</sup> Soviet Foreign Office.

<sup>10</sup> W. Averell Harriman.

<sup>11</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

<sup>12</sup> Forwarded to the Secretary of State by Matthew J. Connelly, Secretary to President Truman, with his memorandum of September 4, not printed, requesting "any comments you may care to make"; no record of action or reply found in Department files.

larly since its post V-J functions in aiding reconversion to peacetime production and revival of industry in liberated areas could not be carried out during such a period. Starting from these considerations, I have arrived at what seems to me a promising idea in connection with this grave matter.

1. *Stake of the United States.*

Although there are a good many people who feel that a civil war in China is "inevitable", this country certainly has every interest in averting it. It is clear that armed strife in China would be a serious threat to world peace and a setback to world hopes of stability. As for America specifically, our relations with Russia might be seriously damaged by internal Chinese conflict. Since August 1943 the Russian press has been increasingly critical of the Central Government. Now that Russia has signed a pact of friendship, settling her main problems with China, this press criticism has ceased; but it is clear that Russia's present friendship with the Central Government is primarily a response to the important economic and strategic concessions which the Russians have received. Russia, it is safe to say, would be deeply concerned over the prospect of the destruction of the Chinese Communists, since such a development would mean a victory of the rightist elements in China and thus a policy of suspicion and unfriendliness toward Russia. In the event of civil war in China I think we may take it for granted that the moral support of the Russian people would be behind the Communists. If the majority of American public opinion were to incline to the Central Government against the Communists, as happened during the Spanish civil war, a growing breach might easily develop in our relations with the Russians.

Moreover, civil war in China would be an economic calamity for all the world. Inevitably, China would suffer immense destruction. Her hopes of early development would be dashed. China needs stability if she is to develop. A stable, developing China would be a very large and growing market for the products of the world's industrial countries. Prolonged civil disturbances in China would greatly reduce that market at a time when the world most needs international trade. Regardless of which faction won, China and the world would lose.

The United States certainly has no desire to interfere in the internal problems of China. On the other hand, any help that we can give to China in resolving these issues peacefully would be well worth giving. The only practical alternative to civil war is some far-reaching adjustment and compromise between the two factions resulting in a genuine democratic government. The Chinese nation is unquestionably tending away from her previous extreme rightist position. It is very much to her interest to make this swing through evolution rather than through

revolution. In the long run she will certainly progress much faster through democratic adjustments than through the extreme swing or swings which would probably follow civil war, no matter what its outcome.

## *2. Nature of Problem.*

The conflict between the Central Government and the Communists, I am convinced, is too fundamental to be settled peacefully through negotiation between the two parties solely under their own auspices. Even though the Communists do not urge collectivism for China at this stage of her development, the differences between them and the Central Government are very far-reaching. The situation has points of similarity to that of Spain just before the Spanish Civil War in 1936.

There is a great deal to be said on both sides and, personally, I do not favor either side. On the other hand, there are some essential facts which sometimes have been lost sight of in our natural sympathy for the hardpressed wartime Chinese Government of Chiang. The big property owners of China, who are powerful in the Central Government, will fight before they allow the kind of reforms that the Communists have put into effect in the part of China they control. These reforms include redistribution of land to eliminate absentee ownership; drastic lowering of farm rents; abolition of usury; abolition of tax extortion and official corruption; better wages, treatment, living conditions, and education for workers and peasants and their families.

As a result of these reforms, authenticated by objective American reporters, the Communists have broad popular support all over China. The small farmers of China, who comprise 70% of the total population, and the coolies of the cities, who comprise approximately 20%, are generally eager for the protection, security and improved working conditions offered by the Communist program. Many of the intellectuals, even in Chungking, are also sympathetic to the Communists. The Kuomintang, which dominates politics under the Central Government, is now widely regarded by the Chinese masses as the party of the big bankers, merchants, landlords and owners of industry. Its prestige rests largely on the personal reputation of Chiang Kai-shek. That reputation alone can hardly offset his people's war weariness and economic discontent. For the most part, they would fight the Communists only reluctantly.

If civil war comes to China I think it will be long and costly. I feel pretty sure that the Central Government cannot win a quick victory and, in fact, I have strong doubts that they can win at all. Under circumstances much more favorable to them than those existing today they tried consistently throughout the ten-year period

preceding the Japanese war to destroy the Communists, and failed. The Communists, although at the present time probably even less well equipped than the Central Government's troops, are highly disciplined, well entrenched in a relatively impregnable area, skilled in guerrilla warfare, and ably led. Their war record is said by many of our own Army men to be far superior to that of the Central Government. If they can get hold of considerable quantities of Japanese arms—as seems likely—they will be even more formidable opponents.

The Central Government, influenced by Ambassador Hurley, has shown a certain statesmanship in that, although it has branded the Communists in the past as "Red-bandits" and rebels, it has lately made public overtures to them. However, it has not been willing to put into effect significant reforms of a kind that might make a genuine coalition with the Communists possible and thus bring internal peace to China. As for the Communists, I am told that they have consistently raised their demands each time that the Central Government has made concessions, and thus have aggravated the difficulties in the way of a settlement. My feeling is that Chiang would rather fight than make major concessions to the Communists. He understands the use of force, and his record shows that in the past he has inclined toward military methods of settling issues. Unless powerful influences are brought to bear on him from outside China, I think it very likely that he will fight the Communists at the first favorable opportunity.

Similarly I feel sure that the Communists will not hesitate to take up Chiang's challenge. They will not enter a government that does not make broad and intensive economic reform a sincere national policy, to be actively carried out; and above all they will not put their army under the Central Government, as Chiang insists, unless they are given an extensive share in military command. Without an army, or equivalent protection, they well know that they would be at the mercy of Chiang and his generals. Evidence suggests that no offer of cabinet posts in the Central Government can alter their determination to retain the protection of armed forces, until the military leadership of the Central Government is no longer a threat to them.

### 3. *Broad Outlines of the Proposal.*

The only hope for internal peace in China, as I see it, is the concerted use of influence by the great powers. I find my thought well expressed in an editorial in the *Washington Post* of August 17:

"If this is actually so (that the Soviet Government has no intention of taking the side of the Chinese Communists) and if, as a sequel to this treaty, Russia joins hands with the United States and Great Britain in putting pressure on the Chinese factions to settle their differences, a very dangerous state of affairs will have been averted."

Generalissimo Chiang Kai-shek must realize the seriousness of his position. Lend-Lease deliveries to his government in effect cease with V-J Day. He surely knows that large scale financial and technical aid from the American Government, were civil war to rage in China, would be highly improbable. Chiang's rightist policies do not have the sympathy of many influential men in the present British Government. Russia's recent pact of friendship with China does not prevent her preference for the aims of the Chinese Communists. Chiang is not likely to receive much support from abroad in a war against the Communists. Whether by civil war or by inaction, he runs the risk of losing ground in the eyes of the foreign nations to which China must look for the aid so important to her rapid economic development. If some method can be found by which Chiang could invite foreign assistance in finding a peaceful solution of China's present crisis, without infringing her sovereignty, I believe he could be induced to try it. In my judgment, the Communists also would look with favor on any really constructive approach to peace opened to them by the three great powers, particularly Russia.

My proposal comes to this: I think real results could be obtained through a suggestion from you to the Generalissimo that he request the United States, the United Kingdom, and the Soviet Union to name representatives to an Advisory Commission that he would appoint to make recommendations to him for the settlement of the existing disputes between the Central Government and the Communists. I conceive this Commission as consisting of two members of the Chinese Government, two Chinese Communist leaders, and one qualified representative each of America, Great Britain and Russia. Chiang need not necessarily be bound by the findings of the Commission, but if arrangements were made that its proceedings and report be published by him, the moral effect would undoubtedly be exceedingly powerful.

I believe that Chiang can be made to see that his world prestige could be greatly enhanced, and not diminished, if he were to make a creative and statesmanlike move to preserve peace in China by inviting other nations to participate with him to that end. Since the assistance of the United Nations Council cannot be invoked in an internal dispute, he could properly request consideration of the problem by the great powers.

#### 4. *Possible Courses of Action.*

If you approve this idea, the problem of putting it into execution arises. Ordinarily, no doubt, the matter would be handled by regular and established channels, but it occurs to me that in a major, tangled crisis of this kind you may wish to consider certain alternatives. I think it is unquestionable that in dealing with this issue we need to

break with precedent, convention and protocol, in order to gain force, speed and a facility for improvisation. Conventional means have already been repeatedly tried, so far without solving the problem. Indeed, the plain fact is that the two sides are farther apart today than at any time since 1936.

I recognize, however, that the appointment of a new Secretary of State of exceptional capacities is going to make a very large difference. If Mr. Byrnes<sup>13</sup> has time before his departure for the Council of Foreign Ministers, the matter might well be placed entirely in his hands. In any event, I take it for granted that the State Department would be kept completely and constantly informed of any and all developments.

Another method of handling the situation would be to ask Ambassador Hurley to return immediately from Chungking to Washington and to entrust to him the job of winning the consent of the parties concerned and organizing the Commission.

A third method would be for you to send a personal envoy to China, preferably some experienced negotiator with a "middle-of-the-road" reputation, and who is well regarded in China, Russia and Great Britain. This envoy could be in Chungking within a few days after assurance of participation had been given by London and Moscow. With these assurances he would be in a good position to obtain Chiang's agreement to extend the necessary invitations to the great powers. If Chiang agreed, your envoy could then visit Yen-an to bring in the Communists. With proper organization or arrangements, I believe the Commission might begin work within a month after the first move was made. Even if hostilities were to break out before then, it should be feasible to bring about an armistice so that the Commission could get under way.

I should like to make the point that, although I was led to consider this matter by the specific problems confronting the American Production Mission, the broader aspects of the situation appear to me to be so serious that I believe the United States should spare no effort to prevent the outbreak of hostilities in China.

EDWIN A. LOCKE, JR.

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123 [Patrick J. Hurley] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 27, 1945—10 a. m.

[Received August 27—6:20 a. m.]

1452. Tung [*sic*] the Generalissimo requested me yesterday to proceed to Yen-an to accompany Mao Tze-tung and party to Chungking.

<sup>13</sup> James F. Byrnes, Secretary of State.

I am departing at noon today and have released the following statement to the press:

"I am going to Yen-an with the consent and full approval of the Generalissimo and on the invitation of Mao Tze-tung, chairman of the Communist Party of China. I shall accompany Mao Tze-tung and his party to Chungking where they will enter into direct negotiations with the Generalissimo and the National Government.

"I am happy to be returning to Yen-an. We have worked continuously for more than a year to help the National Government remove the possibility of civil war in China. In this controversy there have been so many conflicting elements that it is a source of gratification to us that we have been able to maintain the respect and confidence of the leaders of both parties."

We expect to return to Chungking tomorrow.

HURLEY

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740.00119 P.W./8-2945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 29, 1945—noon.  
[Received August 29—10:30 a. m.]

3086. Personal for the President and Secretary of State. For your information as a matter of general interest in my conversation with Stalin on August 27 he showed great interest in and asked me about the setting for the Japanese surrender.

[Here follows a discussion of arrangements for the Japanese surrender at Tokyo Bay and of Russian military movements in Manchuria.]

In reply to a further inquiry Stalin said he believed an agreement would be reached between Chiang and the Communists since it was in the interest of both sides to do so. "How stupid it would be to have two governments in China".

HARRIMAN

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893.00/8-2945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 29, 1945—4 p. m.  
[Received August 30—12:40 p. m.]

3106. Important article (to Department 3106; repeated Chungking as 118-A) in today's *Red Star* summarized in my immediately preceding<sup>14</sup> makes four significant points:

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<sup>14</sup> Telegram No. 3105, August 29, not printed.



1. China cannot continue to be a backward, semifeudal state.
2. Efforts to maintain reaction will provoke "democratic" resistance.
3. USSR and world democratic forces support democratic development of China.
4. Agents of Japanese imperialism are now seeking to disrupt democratic unity.

While this article is more restrained in its criticism of Chinese reactionary forces than similar comment published before the Sino-Soviet treaty, it carries the first statement in our memory of categorical Soviet support of Chinese "democratic" forces. The hint that agents of Japanese imperialism seek to disrupt democratic unity in China hints at the technique employed in Europe of identifying as Fascist every opponent of the Popular Front movement.

HARRIMAN

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740.00119 P.W./8-3045

*Memorandum by Major General Clayton Bissell, Assistant Chief of Staff, Intelligence, War Department General Staff*<sup>15</sup>

[Extract]

WASHINGTON, August 30, 1945.

2. *China.*

Mao Tse-tung's arrival in Chungking has evoked reserved comment by Chinese press which apparently is not hopeful of a satisfactory solution of Central Government-Communist difficulties. Shanghai is reported surrounded by Communist forces who have expressed determination to fight should Central Government forces attempt to enter the city.

CLAYTON BISSELL

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Nanking Embassy Files, Lot F-73

*The Chinese Ministry of Information to the American Embassy*

CHUNGKING [September 2, 1945.]

IMPORTANT POINTS OF THE CONVERSATION BETWEEN PRESIDENT CHIANG KAI-SHEK AND MR. MAO TSE-TUNG ON SEPT. 2

What the President told Mr. Mao is as follows:

1. In regard to the question of military forces: Last year in their conversations with Mr. Lin Tsu-han held at Sian, General Chang

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<sup>15</sup> Notation by the Chief of Staff: "To Secretary of State. G[eorge] C. M[arshall]".

Chih-chung and Dr. Wang Shih-chieh,<sup>16</sup> as Government representatives, agreed that the Communist forces should be reorganized into from 8 to 10 divisions. Later at a meeting of the People's Political Council, out of a desire to effect a settlement in a most generous and sincere manner, I announced that I was ready to reorganize the Communist forces into from 10 to 12 divisions. Now that the war is over, the situation is different from what it was last year, and there should be a general reduction of all military forces throughout the country. But the promise that I gave still remains good. It must be understood, however, that twelve divisions is the maximum number that the Central Government can possibly give consent to.

2. As to the places where the Communist forces are to be stationed after the reorganization: The Communist Party may submit proposals and decisions will be taken after discussion.

3. In regard to the question of "liberated areas": What the Communist Party has proposed in regard to the recognition of the so-called "Liberated Areas" is, as a matter of fact, impossible to carry out. We must seek to solve this question in the most sincere and candid spirit. Only if the Communists will faithfully fulfill their pledge pertaining to the unity of military command and political authority, not only may the Communist magistrates of various districts remain in their posts after an examination of their administrative records by the Central Government, but other members of the Communist Party will certainly also be invited, on the basis of their ability and merit, to participate in provincial governments or even to become governors.

4. In regard to political questions: Now that the war is over, it is contemplated that the Supreme National Defence Council will be reorganized into a Political Council whose members shall be elected by all political parties and sections, so that they will all have a share in the government. As to the personnel of the Central Government, inasmuch as the People's Congress is about to be convoked, it is not deemed necessary to reorganize the government before the meeting of the People's Congress. At the time when the new government is formed after the convocation of the People's Congress, all parties and all sections as well as those who have no party affiliations will of course be able to participate in the formation of the new government. But if the Communist Party desires to participate in the government right now, that is, before the convocation of the People's Congress, the Central Government is prepared to give this matter due consideration.

5. In regard to the question of the People's Congress: In reply to an inquiry made by Mr. Mao, the President told him that elections

<sup>16</sup> Chinese Minister for Foreign Affairs since July 30.

which were held should be considered valid. But if the Communist Party desires an increase in the number of delegates, some reasonable increase may be made in addition to those already elected.

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893.00/9-345 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, September 3, 1945—5 p. m.

[Received 7: 55 p. m.]

3155. Rephrasing Hofman's circumlocutions in August 31 *Red Star* (Embs 3128 and 3129<sup>17</sup>), following statement emerges (to Department, repeated Chungking 142).

Current Chiang-Mao negotiations represent mutual attempt to surmount old differences and prepare China's future. China's future depends on prompt "democratic" reform. Yen-an represents forces of "democratic" reform. But Japs seek to disrupt Chungking-Yenan relations. Success in thwarting these diversionist activities in China depends largely on vigilance of Chinese authorities in liberated areas. And vigilance depends on Chinese unity.

This seems to be a significant series of associations which leaves door open to place responsibility on Chungking if agreement with Yen-an is not reached and can if Chungking does not make "democratic" concessions lead to accusations that certain Chungking elements collaborate with Jap diversionists. Same holds true for Chungking forces sent to liberated areas.

HARRIMAN

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Nanking Embassy Files, Lot F-73

*The Chinese Ministry of Information to the American Embassy*

CHUNGKING [September 3, 1945.]

IMPORTANT POINTS PRESENTED BY MR. CHOU EN-LAI AND  
MR. WANG JO-FEI ON SEPT. 3, AT 5 P. M.

I. Definite adoption of a policy of peaceful reconstruction, with peace, cooperation and democracy as the foundation of national unity, in order to realize the Three People's Principles (using the Manifesto of the First National Convention of the Kuomintang, 1924, as standard).

II. Loyal support of the leadership of President Chiang Kai-shek.

III. Recognition of the "equal" legal status of different political

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<sup>17</sup> Neither printed.

parties, with a view to long-term cooperation in peaceful reconstruction of the country.

IV. Recognition of the political authorities and the anti-Japanese forces in the "Liberated Areas".

V. Severe punishment for traitors and disbandment of all puppet forces.

VI. Re-demarcation of surrender zones, and participation of the Chinese Communist Party in accepting surrender.

VII. Cessation of all armed clashes, with orders to all military forces to remain at their present positions, pending further instruction.

VIII. Early adoption, pending the termination of one-party rule, of various necessary measures, to effect the democratization of government, nationalization of armed forces, and cooperation among the political parties on an equal footing.

IX. Measures essential to the democratization of government:

(1) A political Conference or Inter-Party Consultation Conference, composed of representatives of various parties and certain non-partisan leaders, to be called by the National Government to discuss the following topics:

- (a) the policy of peaceful reconstruction
- (b) a programme for the realization of the democratic ideal
- (c) the question of the participation of different parties in the Government
- (d) re-election of delegates to the People's Congress
- (e) problems of demobilization and rehabilitation.

(2) Definite adoption of self-government for the provinces and districts, and of universal suffrage. The process to start from the lower levels upward.

(3) Settlement of the question of "Liberated Areas".

(a) The governors and members of the provincial governments of Shansi, Shantung, Hopei, Jehol and Chahar to be nominated by the Chinese Communist Party.

(b) The vice-governors of Suiyuan, Honan, Anhwei, Kiangsu, Hupeh and Kwangtung to be nominated by the Chinese Communist Party.

(c) The vice-mayors of Peiping, Tientsin, Tsingtao and Shanghai to be nominated by the Chinese Communist Party.

(d) The Chinese Communist Party to participate in the government of the Northeastern Provinces.

(4) Adoption of urgent measures for relief and rehabilitation.

X. Measures essential to the nationalization of armed forces:

(1) Rational and equitable reorganization of the armed forces of the whole country to be carried out by stages. The communist forces to be reorganized into 16 armies, i. e. 48 divisions.

(2) Re-demarcation of garrison zones and adoption of a system of conscription. Chinese Communist troops to be stationed in the Hwai

River valley (northern Kiangsu and northern Anhwei) and the region north of the Lunghai Railway (where Communist troops are now stationed).

(3) Safeguard, after reorganization, for the position of officers of different ranks.

(4) Participation in the National Military Council and in the work of its subordinate organs.

(5) Establishment of a Peiping Provisional Headquarters and a Peiping Political Council, members of which are to be nominated by the Chinese Communist Party.

(6) Measures to provide employment for discharged officers.

(7) Partisans in "Liberated Areas" to be reorganized by local authorities into Self-Defence Corps.

(8) Adoption of a rational and equitable supply system.

(9) Adoption of a definite plan for political education.

XI. Measures essential for inter-party cooperation on an equal footing:

(1) Release of political prisoners.

(2) Safeguard of all freedoms and abolition of all unreasonable restrictive laws.

(3) Abolition of special service organs (Central Bureau of Investigation and Statistics and the Bureau of Investigation and Statistics of the National Military Council, etc.).

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Nanking Embassy Files, Lot F-73

*The Chinese Ministry of Information to the American Embassy*

[CHUNGKING, September 3, 1945.]

GOVERNMENT REPLY TO THE "IMPORTANT POINTS PRESENTED BY MR. CHOU EN-LAI AND MR. WANG JO-FEI ON SEPTEMBER 3, 1945"

I. Peaceful Reconstruction is naturally the immutable, common policy; the realization of the Three People's Principles is also the common objective. Democracy and national unity must be equally emphasized. Democracy is of course the foundation of national unity; national unity is also certainly the foundation of democracy.

II. Specific expression of loyal support for the leadership of President Chiang Kai-shek is commendable.

III. Recognition of the "equal" legal status of different political parties is the normal course of constitutional democracy. Such recognition can be accorded at once. It is gratifying to note that you have explained that "equality is not equal division of power." Your explanation of the meaning of "long-term cooperation in peaceful reconstruction" is also commendable.

IV. "Liberated Areas" as a term ought to be a thing of the past. Dr. Wang Shih-chieh had requested the Government to make the

following promise which is the utmost the government can do: "With respect to the administrative personnel who have served in the recovered areas during the period of resistance, the Government will judiciously and impartially permit them to continue their services in the various localities on the basis of their ability and past record without any discrimination on account of their party affiliations." In this we concur.

V. There is absolutely no question about this point in principle. But punishment for traitors must be done according to due process of law. In the disbandment of puppet forces careful measures must be taken so as not to affect the peace and security of the various districts.

VI. "Participation in accepting surrender" can be considered, after the orders of the Central Government have been obeyed.

VII. Naturally all armed clashes should immediately cease; but the movement of the Central Government troops cannot depend entirely on air transportation. Communist forces must not block the passage of Central Government troops when passage is necessary.

VIII. This article mentions only a principle. It is acceptable.

IX. (1) The Political Conference may be organized either according to what President Chiang said to Mr. Mao Tse-tung ("Now that the war is over, it is contemplated that the Supreme National Defence Council will be reorganized into a Political Council whose members shall be elected by all political parties and sections, so that they will all have a share in the government.") or according to what Mr. Mao Tse-tung said to Dr. Wang Shih-chieh ("President Chiang may invite a number of members of other parties and non-partisan people (the number and the choice of the candidates to be decided by President Chiang), together with representatives of the Government and of the Chinese Communist Party, to adopt within a very short time limit, the findings of the conversations between the Government and the Chinese Communist Party. This conference we may call the Political Conference. It needs not hold frequent meetings; it is to be convened only when necessary.") This matter can be decided after further discussion. But it seems unnecessary to prescribe beforehand the topics of discussion of the conference. Regarding the question of the People's Congress, President Chiang had said: "The elections which were held should be considered valid. But if the Communist Party desires an increase in the number of delegates, some reasonable increase may be made in addition to those already elected." Mr. Mao Tse-tung had expressed the view that "if the Government insist on the validity of the old delegates, the Chinese Communist Party will be unable to make an agreement with the Government, but the Communist delegates will not on this account stay away from the People's Congress." We can continue to discuss this matter, and bring it up in the Political Conference accordingly.

(2) In principle, this is quite acceptable. It is hoped however, that the People's Congress will not be affected thereby.

(3) The question of "Liberated Areas" has been answered under IV. The Chinese Communist Party may nominate to the Government for consideration and appointment Communist Party members who have proven their administrative ability and who have served with distinction in the war. President Chiang had said to Mr. Mao Tse-tung: "If only the Communists will faithfully fulfill their pledge pertaining to the unity of military command and political authority, not only may the Communist magistrates of various districts remain in their posts after an examination of their administrative records by the Central Government, but other members of the Communist Party will certainly also be invited, on the basis of their ability and merit, to participate in provincial governments or even to become governors." His meaning is perfectly clear. If the Communist Party insists upon the right of nominating governors, members of provincial governments or vice mayors for certain provinces and cities, this will not be "faithfully accomplishing the objective of the unity of military command and political authority." It is hoped that this question will be solved with candour and earnestness befitting revolutionists.

(4) There are measures that the Government naturally will take after the unity of political authority is achieved.

X. (1) Regarding the question of the reorganization of troops: President Chiang had said to Mr. Mao Tze-tung: "Now that the war is over, the situation is different from what it was last year, and there should be a general reduction of all military forces throughout the country. But the promise that I gave (to reorganize the Communist forces into from 10 to 12 divisions) still remains good." The whole situation regarding the reorganization and reduction of military forces throughout the country has been described to you by General Chang Tze-chung and General Chen Cheng.<sup>18</sup> Therefore, 12 divisions is the maximum number to which the Central Government can give consent. It is earnestly hoped that serious consideration will be given to it.

(2) On the question of the places where the Communist forces are to be stationed, the Chinese Communist Party may suggest a plan for consideration and adoption, to be put in force after reorganization.

(3), (4), (6), (8) and (9) are all acceptable. Regarding their detailed application, the Chinese Communist Party may bring up any suggestions they like for discussion.

(5) It is not appropriate to make a specific provision that the Commanding General in charge of the Peiping Provisional Headquarters should be nominated by the Chinese Communist Party. The estab-

<sup>18</sup> Latter was Chinese Minister of War.

lishment of a Peiping Political Council will be even more inappropriate.

(7) The reorganization of Partisan forces into self-defence corps may be made only when it is necessary and possible according to local conditions. It is inappropriate to make a sweeping provision.

XI. (1) The Government is prepared to take this step of its own accord. The Chinese Communist Party may submit a list of people to be released.

(2) Dr. Wang Shih-chieh had offered the following written suggestion: "After the termination of the war, our people will be given freedoms enjoyed by the other democratic countries in time of peace, such as the freedom of person, of worship, of speech, of publication and of association, etc. Laws and regulations in force at present will be revised or abolished according to this general principle." Mr. Mao Tse-tung has accepted this formula.

(3) On this point, the opinion of Mr. Chou En-lai that the two bureaus should confine their activities to intelligence work only and should be strictly forbidden to make arrests and to order detentions, is acceptable.

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893.00/9-1045

*The Second Secretary of Embassy in China (Stevens) to the  
Ambassador in China (Hurley)*<sup>29</sup>

No. 277

SIAN, September 10, 1945.

SIR: I have the honor to inform the Embassy of the revival here during the past few days of previous rumors to the effect that some rather sharp differences of opinion exist among Chinese Communist leaders at Yen-an. My principal informant, who represents himself as being a mining engineer with Communist affiliations, spoke very positively of these differences in words substantially as follows:

Mao Tze-tung and Chu Teh<sup>20</sup> have not seen eye to eye lately on several important political issues. Word has reached here from Yen-an crediting Chu Teh with having told someone in authority that the Communist troops under his command would not tolerate any compromise made by Mao Tze-tung at Chungking which might challenge or impair Chu's supreme command of 18th Army forces. Chu actually believes that he, personally, represents 200,000,000 people in this country, most of whom are farmers and laborers residing in areas formerly under Japanese control, and that Mao's influence is primarily among several million party adherents in areas that have never been occupied by the Japanese. Although Chu gave his consent to Mao's Chungking

<sup>29</sup> Transmitted to the Department by the Embassy in China on September 19 without covering despatch; received September 28.

<sup>20</sup> Latter was Chinese Communist military chief.



mission, he did so reluctantly and urged Mao to constantly bear in mind that, with or without Soviet backing, their 1,000,000 regulars and 2,000,000 guerrillas were more than a match for any force that the Central Government could muster against them. Moreover, the Communists could depend upon a huge army of underground workers in nearly every province north of the Yangtze, as well as in parts of Honan, Hunan, Chekiang, and Kiangsi.

Another point of difference between the two leaders concerns the time of effecting a coalition government. Chu desires that this be done at once, but Mao believes that the Communist cause will be materially strengthened if coalition is postponed until after the Kuomintang tries and fails to elect by democratic processes the People's Congress in November this year.

Mao's views in regard to the treatment of surrendering puppet troops are also not shared by Chu Teh. Chu desires that these troops be disarmed and their leaders punished, while Mao thinks that they might be useful to the Communists if dealt with leniently.

My informant said that he did not believe that these differences would lead to a split at Yenan because the two leaders solidly supported each other in carrying out nearly every other phase of their political program. He appeared anxious that I inform someone in authority that all Communist leaders now viewed with disfavor the American Army's practice of transporting by air to Communist encircled cities of North and Central China large numbers of National Government officials whose object is to entrench themselves there and prevent Communist contact with the surrendering Japanese forces.

Respectfully yours,

HARRY E. STEVENS

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Nanking Embassy Files, Lot F-73

*Mr. Chou En-lai to the Ambassador in China (Hurley)* <sup>21</sup>

Chairman Chiang Kai-shek of the National Government of China has invited Mr. Mao Tse-tung, chairman of the Central Executive Committee of the Chinese Communist Party, to come to Chungking to discuss national affairs. Upon the invitation, Mr. Mao Tse-tung arrived at Chungking on August the twenty-eighth to meet Chairman Chiang. They have conferred many times and at the same time appointed representatives from both sides to hold conferences. Representatives of the Kuomintang are: Wang Shih-chieh, Chang Chun, Chang Chih-chung, Shao Li-tse; and representatives of the Chinese Communist Party are: Chou En-lai and Wang Jo-fei. After twenty days' effort, and constant contact with democratic leaders outside the Kuomintang and the Chinese Communist Party, both sides have agreed upon an unanimous conclusion; and issue the following communiqué:

I. Relating to the fundamental direction of peaceful reconstruction, it is unanimously admitted that the war against Japan in China has

<sup>21</sup> Handed by Chou En-lai to the Ambassador in China on September 16.

been victoriously concluded; that a new period of peaceful reconstruction will start; and that the Chinese people and all the anti-Japanese democratic political parties and groups should,

*a.* On the basis of peace, democracy, unity and unification, determinedly avoid civil war, build up an independent, free, prosperous and strong new China, and carry out the Three People's Principles of Dr. Sun thoroughly.

*b.* Recognize Mr. Chiang Kai-shek as the national leader.

*c.* Recognize the legal status of the Kuomintang, the Chinese Communist Party, and all other anti-Japanese democratic parties, on the basis of equality; and firmly establish the plan for long-term cooperation and peacetime national reconstruction.

II. Concerning problems related to the conclusion of the war, it has been unanimously agreed that,

*a.* The legal status of all the anti-Japanese forces which have contributed to the war against Japan and the people's anti-Japanese governments in the enemy's rear, should be recognized.

*b.* Traitors should be severely punished by law, and the puppet troops dissolved.

*c.* All the troops fighting against Japan should have the right to participate in works concerning the acceptance of Japanese surrender.

III. Regarding the questions related to the conclusion of political tutelage and the realization of constitutional government, it is unanimously agreed that during the process of concluding the party-rule, necessary steps should be immediately adopted to attain political democracy, nationalization of troops, and equal and legal status of political parties so as to achieve the unification of military and political orders. The steps to be taken are :

*a.* The national government is responsible to call a political conference of representatives of political parties and non-partisans to consult national affairs, to discuss questions such as the plan for unity and national reconstruction, the programme of democratic government, the participation of the various political parties in the government, the convocation of the national assembly, postwar reconversion and rehabilitation, etc.

*b.* Active promotion of local self-government, the right of the provinces to draft local constitutions, and the practice of from-bottom-to-top popular election.

*c.* Fair and rational reorganization of troops throughout the country, and the definite establishment of a plan to carry out the work in several periods.

*d.* The establishment of military areas and the system of recruitment and conscription.

3. [*e*] The assurance of the rights of the people to freedoms of speech, press, assembly, association, body, belief, etc. which are enjoyed by the people in all the democratic countries in peacetime; the abolition and revision of the existing laws, orders and regulations not in compliance with this principle.

- f. Strict prohibition of the right of any other organizations besides the judicial and police organs to arrest, try and punish.  
 g. The release of all patriotic political prisoners.

IV. The concrete program to put into practice the above mentioned points and related subjects should be discussed and decided upon by the forthcoming political conference.

V. The negotiation between the two parties in the past twenty days has been carried on under friendly and harmonious atmosphere. Both parties believe that efforts will be made, on the basis of mutual trust and mutual concession, in the forthcoming negotiation and political conference, so that a satisfactory result may be attained.

VI. The enthusiastic help of General Patrick Hurley, the American Ambassador in China, is appreciated in the fine outcome of negotiation.

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893.00/9-1845 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

MOSCOW, September 18, 1945—5 p. m.  
 [Received September 18—12: 50 p. m.]

3310. First indications received of current Chinese Communist Party line following publication of Sino-Soviet Treaty and Jap surrender were contained in August 28 report of foreign broadcast intelligence service of FCC (Federal Communications Commission) forwarded from Dept by pouch. We note that *Hsin Hua Jih Pao* editorial and Chinese Communist Party declaration on "current situation" both enunciated same line toward Chinese unity, democracy and Jap designs for sowing dissension in China as subsequently appeared in Soviet press (to Dept, repeated Chungking 163).

Similarity of CCP and Moscow line is not surprising. Timing is worth noting. First appearance in Soviet press of common line was in August 29 *Red Star* (Embs 3105<sup>22</sup> and 3106) followed by stronger statement on August 31 (Embs 3128, 3129<sup>23</sup> and 3155).

KENNAN

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893.00/9-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 18, 1945—5 p. m.  
 [Received September 18—4: 40 p. m.]

1612. Favorable developments in Government-Communist negotiations indicated. Slight delay in my departure might be helpful in situation.

<sup>22</sup> Not printed.

<sup>23</sup> Neither printed.

Accordingly General Wedemeyer is proceeding to Washington, leaving Shanghai September 19. My plans are now to leave here on plane already scheduled to depart Saturday, September 23.

HURLEY

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Nanking Embassy Files, Lot F-73

*The Ambassador in China (Hurley) to Mr. Mao Tse-tung*

CHUNGKING, September 19, 1945.

DEAR CHAIRMAN MAO: General Chou En-lai told me yesterday that if I were leaving Chungking you would like to return to Yen-an before my departure. I told General Chou that I would, of course, arrange for your transportation back to Yen-an at any time you desired it.

This morning I mentioned the situation to Generalissimo Chiang Kai-shek. He told me that you are in Chungking on his invitation and that his word and his character are pledged for your security while here. He said that you need not feel it necessary to leave Chungking because I am leaving. The Generalissimo said that his Government and himself will be responsible for your safety and will provide air transportation for you to Yen-an whenever you desire to go. The Generalissimo was of the opinion that it would be helpful if you would remain in Chungking until the negotiations are concluded.

I, of course, would be happy to see the negotiations satisfactorily concluded before my departure. But if they are not, I agree with the Generalissimo that it would be very helpful for you to remain in Chungking long enough to work out a satisfactory understanding between the National Government and the Chinese Communist Party. An early agreement would permit China to turn at once to peaceful reconstruction.

On leaving I wish to express my appreciation to you for the many kindnesses you have shown me and the splendid hospitality with which you have entertained me on so many occasions. I wish you the best of luck in your present negotiations.

Sincerely,

PATRICK HURLEY

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893.00/9-2345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 23, 1945—5 p. m.

[Received September 23—11:08 a. m.]

1649. Immediately prior to his departure for Washington, Ambassador Hurley dictated the following message for the Secretary of State:

"I concluded my last conference with the Government and Communist negotiators at 2:30 this morning.

1. The negotiators have agreed that they will collaborate for the establishment of a democratic government in China, for the reconstruction of China, and the prevention of civil war.

2. Both have agreed to support the leadership of Chiang Kai-shek as President of the Republic.

3. They have further agreed that both parties will support the doctrines of Sun Yat-sen and will cooperate for the establishment in China of a strong, united, democratic government.

4. The Communists have agreed that they will recognize the Kuo-mintang as the dominant party in control of the government and will cooperate with that party during the period of transition from the present form of government to a democratic regime.

5. Numerous other questions, including the release of political prisoners, freedom of person, speech, press, belief, assembly and association were agreed upon.

There are two important points on which the conferees are not yet in agreement, although both parties have made concessions towards making agreement possible. One point is that the Communists claim the right to appoint, select, or elect any Communist governors and mayors in certain provinces. The Government contends that until a constitution has been adopted and a democratic government inaugurated, the prerogative of appointing governors and officials is vested in the President of the Republic. The Government considers that this should not be changed until the transitory period from the present Government to a constitutional government has been achieved. Both parties agree to work together during the transitional period. The next point on which the parties have approached an agreement but have not finally agreed is the number of Communist troops that are to be included in the national peace-time army of China. The Communists first contended that they should have 48 Communist divisions. It was pointed out by the Government that the present plan calls for a peace-time army consisting of 80 to 100 divisions, and that the Communists, who, the Nationalists claim, are in a minority, are claiming the right to approximately one-half of the peace-time army. This, the Nationalists refuse to agree to, but they have offered the Communists 20 divisions, or what will constitute approximately one-fifth of the planned peace-time army. Chairman Mao Tse-tung said last night that they did not reject the offer but the Communists wanted to give it further consideration.

The over-all achievement in this conference has been to keep the Communists and the Nationalists talking peace-time cooperation during the period for which civil war has been predicted by nearly all of the elements who are supporting a policy to keep China divided against herself. The conferences will continue. Mao Tse-tung is remaining in Chungking. The Generalissimo has given Mao Tse-tung his word and pledged his character for the safe conduct of Mao Tse-tung and his party. He has agreed to give Mao Tse-tung and his party transportation to Yen-an at any time they wish to discontinue the conference. Mao Tse-tung is satisfied with this pledge on the part of the Generalissimo.

We have rather complete minutes of the conference from its inception. We have not been advising the Department of the details for

the reason that it was agreed at the beginning that no statement would be made by any of the parties to the conference until the conference is concluded or until a communiqué is approved by both parties. Consequently we respectfully request that the contents of this cable not be made public until a communiqué has been issued by the conferees.

I told the Communist and the Government negotiators last night that in my opinion they were attempting to settle too many details. I pointed out that an attempt to agree on all the details of reorganization of government and the organization of troops in advance would in all probability lead to interminable debate. I said that, if they could agree on basic over-all principles, details could be worked out in accordance with such principles.

The spirit between the negotiators is good. The *rapprochement* between the two leading parties of China seems to be progressing and the discussion and rumors of civil war recede as the conference continues.<sup>24</sup>

Ambassador Hurley had prepared to leave with General Wedemeyer on September 18 on what was considered by Wedemeyer, the Generalissimo and the Ambassador as an urgent mission to Washington. However, upon the earnest request of both parties he agreed to remain in China an additional 4 days to render assistance in reaching agreement.

For the Department's information, both parties have expressed deep appreciation of the cooperation and assistance of the Ambassador. They have agreed upon a paragraph to be included in their proposed final resolution thanking the Ambassador for his great services to China in bringing about the conferences and for his general helpfulness as mediator during the negotiations.

HURLEY

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Nanking Embassy Files, Lot F-73

*The Chinese Minister of Information (Wu) to the American Minister Counselor in China (Robertson)*<sup>24</sup>

President Chiang Kai-shek of the National Government invited Mr. Mao Tse-tung, Chairman of the Central Committee of the Chinese Communist Party, to come and discuss important questions of state. Mr. Mao came to Chungking on August 28 and had several discussions with President Chiang. At the same time both sides appointed certain representatives for the purpose: The Government was represented by Dr. Wang Shih-chieh, General Chang Chun, General Chang Chi-chung, and Mr. Shao Li-tze, while the Chinese Communists were represented by Mr. Chou En-lai and Mr. Wang Jo-fei. These gentle-

<sup>24</sup> Handed by the Chinese Minister of Information to the Minister Counselor in China on September 23.

men held a series of discussions in a friendly and harmonious atmosphere, and have arrived at the following unanimous results:

(1) With reference to the fundamental policy of peaceful reconstruction, it is unanimously agreed that with the victorious conclusion of the war against Japan and with the commencement of a new stage in the work of peaceful reconstruction in the very near future both sides must work in common and, on the basis of peace, democracy, harmony, and unity and under the leadership of President Chiang, practise long-term cooperation, forever banish internal strife, build up an independent, free, and prosperous new China, and faithfully carry out the San Min Chu I. Both sides also agree that the democratization of politics, the nationalization of the army, and the equality and legalization of political parties are indispensable paths leading to peaceful national reconstruction.

(2) With reference to political questions, it is unanimously agreed that the period of tutelage must be brought to an early end and the period of constitutionalism be ushered in. It is also agreed that necessary steps be taken by the National Government to convene a Political Conference composed of representatives of all political parties as well as those with no party affiliations, in order to discuss questions of national import, to consider plans for peaceful national reconstruction and the problem of convoking the National Assembly. Furthermore, the Government should guarantee that the people can enjoy all the freedoms which peoples in all democratic countries usually enjoy in times of peace, namely, those of the person, belief, speech, the press, assembly, and association. Political authority must be unified, but under the assumption of national unity some adaptability to local needs may be permitted. As regards administrative officials in the different localities, the Government will be guided by considerations of merit, give them their due, and practise no discrimination on grounds of party affiliation.

(3) With reference to military questions, it is unanimously agreed that all troops must belong to the state, that military authority must be unified in the hands of the Central Government, and that all existing troops must be effectively reorganized according to plan. Now that the Kuomintang party headquarters among the troops have been withdrawn, the Chinese Communists should also cause its troops to sever all party connections, so that all troops may become national troops. Pending the realization of this object [objective?], the number of Communist troops and concrete problems in relation thereto will form the subjects of further discussion in order to find a solution for them.

(4) Both sides are confident that the future discussions will continue to be conducted in a friendly and harmonious atmosphere. All concrete practical measures, except those which are to be laid before the forthcoming Political Conference for discussion and decision, will be satisfactorily solved on a basis of mutual confidence and mutual concession.

(5) Both sides wish to express their gratitude to the many friends for their solicitude and advice, especially to General Hurley, the American Ambassador, for his earnest assistance, throughout the course of the discussion.

893.00/10-245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 2, 1945—8 a. m.

[Received 10:15 p. m.]

1696. Dr. K. C. Wu, Minister of Information, requests that we convey the following to Ambassador Hurley.

The Communists have agreed to accept National Government's proposal to allot them 20 divisions in the National Army. A Military Commission is to decide how soon Communist forces can be organized into 20 divisions. Members of the Military Commission will be [Communist] Chief of Staff, General Yeh Chien-ying, and certain other officers to be designated by Yeh representing the Communists and General Lin Wei-wen, Vice Minister of War, and General Liu Pei, Vice Minister of Military Operations, representing the National Government.

It has been further agreed that before the establishment of a constitutional government the National Government will organize a political council of 37 members representing Independents and all parties as follows: Kmt 9, CP 9, other parties 9, Independents 9, Chairman to be appointed by the National Government.

The political council will consider and make recommendations with reference to (a) policy for peaceful reconstruction, (b) whether People's Congress shall be convened on November 12 as planned or postponed to a later date, and (c) draft of constitution to be submitted to People's Congress.

The discussions of the political council shall be open, not secret. Its decisions shall be final and conclusive. Such resolutions as are adopted shall be carried out by the National Government in accordance with due process of law.

The Communists proposed that the council adopt a "system of absolute veto". This would mean that all proposals would have to receive unanimous approval before becoming effective. National Government representatives have not yet agreed to this proviso.

ROBERTSON

893.00/10-345 : Telegram

*The Consul at Kunming (Sprouse) to the Secretary of State*

KUNMING, October 3, 1945—4 p. m.

[Received October 11—6:20 p. m.]

218. An order issued by Central Government under date of October 2 appoints General Lu Han [as] Chairman of Yunnan Provincial



Government and General Lung Yun [as] Chairman of Military Advisory Council at Chungking; Li Tsung-huang named Civil Affairs Commissioner in Yunnan (as successor Lu Chung-jen) and will also act as Chairman until Lu Han can assume post (sent to Department as 218, repeated to Chungking as 41).

Lung Yun apparently informed of order between 5 and 6 a. m. today at about the same time Central Government Fifth Army troops surrounded various points in Kunming and vicinity held by Yunnan Peace Preservation Corps, *Gendarmerie* and independent brigades allegedly in order to prevent possible resistance to carrying out Central Government order. These Yunnan forces reportedly unaware of situation are said to have opened fire and fighting between Fifth Army and Yunnan forces lasted several hours. Sniping in several sectors inside and outside city still going on at 3 o'clock this afternoon. Rifle, machine gun and mortar fire clearly audible at consular premises as well as whine of spent bullets, fighting occurring outside of north gate near Consulate. Martial law declared and streets being patrolled by Fifth Army troops. No one permitted to circulate freely on streets.

Commanding General United States Army here has issued orders American personnel remain in compounds and no such personnel allowed outside unless with identifying arm band and in vehicle with appropriate sticker. This order being announced over radio at regular intervals. Consulate General's outside contacts limited to telephone.

*Sao Tang Pao* (Army organ) only newspaper published in Kunming today carried announcement Chungking order and was distributed by Fifth Army soldiers.

SPROUSE

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893.00/10-445: Telegram

*The Consul at Kunming (Sprouse) to the Secretary of State*

KUNMING, October 4, 1945—4 p. m.  
[Received October 4—11: 45 a. m.]

222. General Tu Li-min, Commander Central Government Fifth Army, issued proclamation 10 a. m. today lifting martial law and bulletin appeared on streets at noon announcing resumption normal activities during the day from 6 a. m. to 8 p. m. and institution curfew during the night (sent to the Department as 222, to Chungking as 43).

Six Yunnan leaders representing various civic bodies, such as Chamber of Commerce and Provisional Municipal and Provincial

Assemblies, called at the Consulate this morning to ask British Consul and me to call on General Tu and transmit their request for (1) cessation of hostilities and (2) lifting of martial law. They stated petition had been sent to Tu but apparently without effect. They explained that majority of population of city was without food and water and some civilians had been killed. I informed them I would be willing to transmit their request to General Tu on humanitarian basis but that it must not be construed in any way as interference in political questions. They agreed their request solely on that basis as Lung Yun was carrying out Chungking orders and accepting new post. After discussion with British Consul I telephoned General Tu and asked for appointment and for official car to take us to his headquarters. We proceeded as arranged and informed him and staff of our mission, emphasizing that we were merely transmitting request from civic bodies and that we had no desire to interfere in political situation. Tu stated he had just issued a proclamation lifting martial law and conditions would return to normal shortly, atmosphere was cordial during call (Consulate General's 218, Oct. 3.)

At dusk and midnight yesterday fairly heavy exchange of fire between Fifth Army and Lung's bodyguards holding hill near Consulate where Provincial Government headquarters located. Lung reliably said to have sent representative to order provincial forces cease fire and obey Central Government orders and according to Fifth Army sources resistance now ended. Only occasional firing heard today and Fifth Army states "racketeers" indulging in sniping will be cleaned out soon. People circulating in most parts of city since noon.

SPROUSE

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893.00/10-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 8, 1945—1 p. m.

[Received October 8—7:20 a. m.]

1754. Chou En-lai called at Embassy this morning. He said Mao Tse-tung planned to return to Yen-an tomorrow but that he and General Wang Jo-fei would remain here. He said that a joint Government-Communist statement was now being drawn up and would probably be made public day of Mao's departure. Yii's [*This?*] statement would set forth points of agreement. Chou said that only one main point remained on which some sort of agreement had not been reached, namely, question of government of liberated areas now under Communist control; he mentioned particularly Shantung, Hopei, Suiyuan and Chahar. Communists, according to Chou, wish

to have governors of such liberated areas appointed by a council elected from below—villages and districts. [Government], he said, would agree to elections in villages and districts but insists that governors of provinces be appointed directly by Central Govt.

With regard to military questions, Chou repeated information given in second paragraph of Embassy's 1696, October 2. He said no date had been set for meeting of military commission to discuss reorganization of Communist army into 20 divisions, but it was possible that Communist member might come back on plane taking Mao to Yen-an.

While joint statement will probably emphasize points of agreement and infer that negotiations are progressing satisfactorily, we are of the opinion that the two sides are far apart on the basic question of political control of the liberated areas now dominated by Communists.

ROBERTSON

893.00/10-1145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 11, 1945—4 p. m.

[Received October 11—1:06 p. m.]

1775. Mao Tse-tung left by plane this morning for Yen-an. Chou En-lai and Wang Jo-fei remained in Chungking (Embassy's 1754, October 8). A joint communiqué will probably be issued late this afternoon or tomorrow morning. Embassy's comments on negotiations will be reported by telegram tomorrow.

ROBERTSON

893.00/10-1245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 12, 1945—2 p. m.

[Received 5:08 p. m.]

1787. Statement entitled "Summary of the conversations between the Govt and the representatives of the Chinese Communist Party" was issued to the press here yesterday afternoon (Embtel 1775, Oct. 11). As this has no doubt been telegraphed to the U. S. by Central News, the Embassy in accordance with Dept's standing instructions will not telegraph text unless so directed.<sup>25</sup> From conversation with Dr. K. C. Wu yesterday and with Communist representative this morning, it seems evident that, as reported in Embtel 1754, Oct. 8, the

<sup>25</sup> The Secretary of State, in his telegram No. 1691, October 17, 6 p. m., to the Chargé in China, requested that text of statement be telegraphed to the Department; for text, see the Chargé's telegram No. 1833, October 19, p. 475.

chief stumbling block continues to be the basic questions of political control of the liberated areas now dominated by Communists.

Communist representative stated this morning that it was probable that General Yeh Chien-ying, Communist Chief of Staff, would come to Chungking from Yen-an in about a week to serve as Communist member of 3-man military commission to discuss military questions. Communist representative also said that contrary to earlier report Wang Jo-fei left Chungking with Mao yesterday for Yen-an; he added that Wang expected to return to Chungking within few days bringing his wife and children—this would appear to indicate some optimism as to final outcome.

ROBERTSON

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893.00/10-1545: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 15, 1945—11 a. m.

[Received 11:40 a. m.]

1794. Communist representative Wang Ping-nan called at Embassy this morning; summary of information given by him as follows:

Wang Jo-fei has returned from Yen-an with his wife and one small child (ReEmbtel 1787, October 12).

Governor Chang Chun of Szechuan will arrive in Chungking in a few days; upon his arrival he together with Minister of Foreign Affairs Wang Shih-chieh and Shao Li-tzu (Secretary General of the PPC <sup>25a</sup>) for the Central Govt will renew conversations with Chou En-lai and Wang Jo-fei, Communist negotiators. General Chang Chih-chung, the other Govt negotiator, will not participate, as he left Chungking yesterday for Tihwa to take part in Sinkiang negotiations.

The forthcoming conversations will cover matters relating to the following three subjects: (1) The Political Consultative Council; (2) liberated areas; (3) National Assembly. It is expected that conversations will last for about 10 days. Upon conclusion of conversations Chou En-lai will carry back proposals to Yen-an for decision by Yen-an authorities; decision is expected to be made very promptly. Yen-an will then appoint delegates who will come to Chungking to attend the Political Consultative Council which it is anticipated will be held early in November. It has been decided that General Yeh Chien-ying, Eighteenth Group Army Chief of Staff, will come to Chungking with the Communists' delegates probably as a delegate himself and also to serve as Communist member of the subcommittee of three to discuss military questions. (*End of summary.*)

Communist representative this morning was definitely much more optimistic than he has previously been with respect to likelihood of an eventual agreement between Central Govt and Communists. He

<sup>25a</sup> People's Political Council.

expressed great satisfaction over the recent Chefoo arrangements and also over the announcement in today's press that Ambassador Hurley would shortly return to China.

Please bring this telegram to attention of Ambassador Hurley.

ROBERTSON

123 [Hurley, Patrick J.] : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 16, 1945—4 p. m.

[Received October 17—7:50 a. m.]

1805. For Ambassador Hurley. Delighted at news you will soon return Chungking. You will be interested to know that both Government and Communist representatives privately as well as publicly now express optimism as to outcome negotiations. Gmo (Generalissimo) paid tribute to you at press conference yesterday. Stated you were "primarily responsible for present state of the discussions". Communists also express gratification over your return.

Everything proceeding smoothly within limits of staff. Butrick,<sup>26</sup> Calder<sup>27</sup> and Chase<sup>28</sup> here for few days. Assistant Secretary of War McCloy and party of eight were guests at our 46th meeting of agency representatives this morning. They regret missing you.

ROBERTSON

893.00/10-1945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 19, 1945.

[Received October 20—10:55 a. m.]

1833. In accordance Department's 1691, October 18 [17],<sup>29</sup> there follows text of "summary of the conversations between the Government and the representatives of the Chinese Communist Party" as issued through the Ministry of Information October 11:

"With a view to discussing matters of national interest, President Chiang Kai-shek, upon the successful conclusion of the war, invited Mr. Mao Tse-tung, Chairman of the Central Committee of the Chinese Communist Party, to come to Chungking. Mr. Mao arrived in Chungking on August 28 and called on President Chiang. Since then the President and Mr. Mao have had a number of talks. Meanwhile,

<sup>26</sup> Richard P. Butrick, Acting Chief of the Division of Foreign Service Administration.

<sup>27</sup> A. Bland Calder, Commercial Attaché in China.

<sup>28</sup> Augustus Sabin Chase, Consul at Shanghai.

<sup>29</sup> Not printed, but see footnote 25, p. 473.

representatives on their behalf were appointed. The Government representatives were Dr. Wang Shih-chieh, General Chang Chun, General Chang Chih-chung and Mr. Shao Li-tze while the Chinese Communists representatives were Messrs. Chou En-lai and Wang Jo-fei.

The Government and Communist representatives met and conferred on many occasions in an atmosphere of friendliness and harmony, and they reached a number of conclusions. Their talks will continue, on a basis of mutual trust and mutual concession, to seek a satisfactory solution of the issues still outstanding.

A summary of the conversations held so far is as follows:

[Here follows text as printed in Department of State, *United States Relations With China*, page 577.]

ROBERTSON

893.00/10-1945

*The Consul at Kunming (Sprouse) to the Secretary of State*

No. 33

KUNMING, October 19, 1945.

[Received October 27.]

SIR: I have the honor to enclose a translation of an undated telegram<sup>30</sup> addressed to "Messrs. Chiang Kai-shek and Mao Tse-tung" by ten professors of the National Southwest Associated University at Kunming in regard to the negotiations between the Kuomintang and the Chinese Communist Party.

*Summary of Enclosure:* The writers urge the end of "one-party dictatorship" and the convocation of a political council composed of representatives of all parties and factions, as well as non-party leaders, to form a coalition government. They request the holding of elections for the naming of delegates to a National Congress which shall draft and adopt a constitution and thus establish constitutional government. They invite the careful consideration of the two party leaders to the following four points: (1) "One-man monopoly" of governmental power must end; (2) government officials must be appointed upon a basis of competence and ability and not upon a basis of unquestioning obedience—present practices have led to political corruption and administrative inefficiency; (3) interference in governmental affairs by military leaders must be ended; and (4) traitors guilty of conspiring with the Japanese must be punished. They concluded with an appeal for the settlement of differences by constitutional methods and for the formulation of policies in accordance with public opinion. *End of Summary.*

This telegram was written by ten leading members of the faculty of National Southwest Associated University. Three of the group are members of the Kuomintang and one of them is closely associated with the Democratic League. The writers represent the middle-of-

<sup>30</sup> Not printed.

the-road view of the Chinese "liberal", who is the product of American or British higher education, and their sympathies have always been with the Anglo-Saxon powers, the members of the group being particularly pro-American.

The telegram was timed for publication in one of the local newspapers shortly after the end of press censorship on October 1, the writers feeling that unless it were published immediately there would be slight chance of its publication in spite of the "so-called abolition of censorship". The day of its intended publication, however, coincided with the *coup d'état* which removed General Lung Yun from his post as Chairman of the Yunnan Provincial Government and only the Central Government Army-controlled *Sao Tang Pao* appeared on that day. It is understood that additional copies were sent to Chungking for publication in the *Ta Kung Pao*. Some of the writers are of the opinion that the *Ta Kung Pao* editors, who are personally acquainted with the professors, were apparently unwilling to publish the telegram for fear of the safety of the writers at the time of the local *coup d'état*. The telegram is reliably said to have appeared here in the form of a printed leaflet, which was distributed among various organizations and the university students but has not yet been published in any of the Kunming newspapers or magazines.

These university professors are distressed at what they describe as the "new American policy" toward China. They are at a loss to understand the "all-out support" given to the Chungking Government by the United States, which they believe merely increases the determination of Generalissimo Chiang Kai-shek not to establish a genuine coalition government in China and not to surrender any real power now held by the Kuomintang. One of his group feels that American aid to the Chungking Government should be given piecemeal and that it should be accompanied by clear indications that the United States expects genuine reform and a settlement of internal differences as a prerequisite for the extension of further aid. This informant suggests as an alternative a completely "hands-off" policy toward China in order that the various factions may be left to settle their differences without external interference. These observers do not believe that the Generalissimo will ever make real concessions as long as he is convinced of unqualified American support. They feel that American policy toward China can be explained only on the basis of an American desire to establish a bulwark against communism in Asia and that American military aid in reestablishing Chungking authority in the liberated areas must stem from that desire. They are of the opinion that present American policy, instead of strengthening the position of liberal elements in China by pushing for reforms and agreement, merely strengthens the control of the reactionary elements

of the Kuomintang and that the day of reckoning in China is merely being postponed. They believe that China under a continuation of present leadership will prove to be both a liability to the United States and a possible source of future trouble in Asia.

These observers feel that the United States is by its present policy losing prestige among Chinese intellectual and university circles. Asked why, in that event, there has not been more open criticism of the United States among these middle-of-the-road "liberals", the informants state that the expression of such criticism would be merely playing into the hands of the powerful anti-western group of the Chungking Government, who would be quick to make capital of such criticism. They explain that this group is sympathetic to the Japanese propaganda line that the United States is endeavoring to make a "colony" of China and that, while this anti-western group is receptive to American material aid, they are fundamentally anti-western in their thinking.

There is increasing disillusionment with the Generalissimo and the Chungking Government among this group of Chinese intellectuals, and the attitude of this group has grown even more critical since the Japanese surrender in August. They point to the officials named by the Generalissimo in the liberated areas, whom they described as anti-liberal, pro-Japanese and thoroughly discredited and corrupt individuals. They point to the charges of corruption already brought against General Ho Ying-chin's Deputy Chief of Staff at Nanking and against General Chien Ta-chun, the new Mayor of Shanghai, as indication of what China can expect from the Chungking Government in the future. They are also critical of the Communist Party, but less strong in their criticism as they believe that the latter at least bases its program on the welfare of the people. They do not believe that either party should have a monopoly on governmental power in China and feel strongly that unless an agreement can be reached between the two parties and unless some means can be found of strengthening the position of liberal and progressive elements in the government there is little hope for China.

These university leaders at Kunming have for the first time grouped together to issue a public statement regarding the major political issue of Kuomintang-Communist relations. These men have remained apart from the efforts of the Democratic League to sponsor coalition government in China and have refused to associate themselves with that movement. Their concern over the present situation has become so great that they felt they could no longer remain silent. Their prestige is sufficiently high to prevent any outward action against them



because of this telegram, the effects of which will probably be slight. The timing was unfortunate from a standpoint of publicity and the failure to obtain wide distribution of the document reduces its possible effect to a small circle.

The fact that these persons have taken such action is, however, an indication of the serious concern of Chinese intellectuals over the situation in China and of their deep pessimism regarding the future of the nation.

Respectfully yours,

PHILIP D. SPROUSE

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893.00/10-2345 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, October 23, 1945.

[Received October 23—8:55 a. m.]

3637. Soviet press October 23 publishes Ulan Bator despatch on preliminary results of Mongolian plebiscite held Oct. 20. Representative Central Plebiscite Commission is said to have informed Tass correspondent that in accordance with constitution all citizens 18 and over regardless of sex, religious faith or nationality voted in plebiscite. Four hundred ninety-four thousand and seventy-four citizens were registered for voting. According to preliminary data received by Oct. 22 from all 18 electoral districts, 483,291 people or 97.8% voted for state independence MPR.<sup>31</sup> Not a single vote was cast against independence MPR. This unanimity had demonstrated before whole world ardent desire of free citizens of MPR to preserve sovereignty of their country achieved in struggle against its foes. Mongolian people had demonstrated in this most important political campaign its high patriotism, political maturity, high degree of organization and solidarity with Govt Central Committee of Mongolian people's revolutionary army and leader of Mongolian people, Marshal Choibalsan. Plebiscite had been serious test for whole party and state machinery of republic. It could be said that this examination was passed brilliantly. Principles of democracy had been strictly observed by Plebiscite Commissions. From now on MPR would occupy honorable place among advanced independent states of world.

Chinese representative for observance of plebiscite, Lei Fa-chang,<sup>32</sup> together with staff were present during voting Oct. 20 in two Ulan

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<sup>31</sup> Mongolian People's Republic.

<sup>32</sup> Chinese Vice Minister of Interior.

Bator precincts and had visited rural precinct 130 kilometers from Ulan Bator. Lei Fa-chang had expressed to MPR authorities his satisfaction with course of voting and had observed that plebiscite was conducted in strict accordance with democratic principles of free expression of will of MPR citizens.

Sent Dept. 3637, repeated Chungking 186.

[HARRIMAN]

893.00/10-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 29, 1945.

[Received October 29—1:05 p. m.]

1884. Following is Central News release, Chungking, October 27:

“Motivated by an eager desire to bring about an early restoration of railway communications and to stop further obstructions of railway lines, the Govt, in conversations held yesterday with representatives of the Chinese Communists, has agreed that the *status quo* of the Communist forces in the areas outside of the railway zones will be maintained provided the Communists would leave the railways alone, states Dr. K. C. Wu, Minister of Information, at a press conference here today.

Dr. Wu said that the Govt has also urged the Communist Party to send representatives of the 18th Group Army here to form a military subcommittee, US [*as?*] laid down in the agreements reached previously, to discuss the reorganization of the 18th Group Army and the areas where it is to be stationed.

Regarding the Political Consultative Council, Dr. Wu said that the Govt in the conversations yesterday stated that it has already consulted other interested quarters and consequently a satisfactory arrangement has been made. Dr. Wu added that the Govt proposed that, since the organization and membership of the Council had been agreed upon, the Council should be convened as scheduled.

Dr. Wu revealed that the Communist representatives, Messrs. Chou En-lai and Wang Jo-pei, have agreed to wire to Yen-an for instructions regarding the above matter.

Meanwhile, the Govt-Communist conversations are still progressing in a cordial atmosphere. Continuing, Dr. Wu said that the Govt, in pursuance of its confident policy to achieve peace and unity by peaceful means, is determined to do its utmost to seek a complete, satisfactory solution.

Insofar as the circulation of improper reports, broadcasts and dispatches is concerned, the Govt considers that, inasmuch as they are at variance with facts, there is no necessity for detailed comments, concluded Dr. Wu.”

ROBERTSON

893.00/10-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 29, 1945—10 a. m.

[Received 12:55 p. m.]

1885. Central News press release Oct. 27, concerning Govt. statement on Govt.—Communist question, was transmitted in our 1884, Oct. 29.

On morning Oct. 27, Communist representative Wang Ping-nan called at Embassy. Contrary to his optimism Oct 15 (Embtel 1794 Oct 15), he seemed very pessimistic over possibility settlement Govt.—Communist differences.

He remarked Central Govt had signed joint statement Oct 17 [11?], indicating willingness for political solution of basic internal problems of China; now he said Govt was violating that agreement by ordering military attacks on Communist troops in many places, including attacks on Communist forces withdrawing from certain areas under terms of joint statement.

He said recent conversations between Govt. and Communist negotiators (Embtel 1794) had made no progress. He expressed opinion Govt. apparently intended to play for time while securing military control of areas liberated by Communists. He said Communist policy is not to take aggressive action; in face of Govt. encroachment they will withdraw at first but if Govt. persists they will fight back.

Questioned whether in event present conversations make no progress Communists would send delegates to proposed Political Consultative Council, he was non-committal.

Referring to National Assembly, he said recent breakdown of members showed that after deleting members who had died since elections (held before Chinese-Japanese war) and members who were traitors during war more than 70% of Assembly consist of Govt. officials. He commented Generalissimo frequently announced he would turn Govt. over to people but constitution of Assembly shows Generalissimo will merely turn it over to Govt. officials.

He expressed Communist resentment over what he termed American intervention in landing troops at many points in North China to hold them pending arrival of Govt. troops, large elements of which have been flown north by American Air Force. He expressed puzzlement over recent press statements by Vincent<sup>33</sup> and General Wedemeyer;<sup>34</sup>

<sup>33</sup> John Carter Vincent, Director of the Office of Far Eastern Affairs.

<sup>34</sup> Lt. Gen. Albert C. Wedemeyer, U. S. A., Commanding General, U. S. Forces in China Theater and Chief of Staff, China Theater.

he said Vincent statement<sup>35</sup> indicated that stay of American Marines in North China would be temporary and that they would leave North China as soon as they can be relieved by Govt. troops; Wedemeyer's statement<sup>36</sup> he felt indicated that large force of 50,000 American Marines would remain in North China for some time.

Dr. K. C. Wu, Minister [of] Information who ordinarily keeps us informed of Govt.'s views on negotiations, has been ill yesterday and today; we hope to obtain his views shortly for telegraphic report to Dept.

ROBERTSON

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893.00/10-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 31, 1945—1 p. m.  
[Received October 31—11 a. m.]

1899. Wang Ping-nan, Communist, called at Embassy October 30. He said "news is very bad". He said Dr. K. C. Wu's statement of October 27 (Embtel 1884, October 29) was for foreign consumption; meanwhile Kuomintang in collaboration with puppets and Japs are busily engaged in eliminating Communists. He said Kmt (Kuomintang) had managed to have U. S. arm and equip many Kmt (Kuomintang) divisions; now that Japs are disarmed these divisions are being turned against Communists.

He turned aside question regarding situation in Manchuria but later said there were a few Eighth Route Army personnel there; chiefly, he said, common people had risen up.

With regard to Russia's attitude he expressed opinion Russia would not intervene in China's internal conflicts as they would prefer to let China settle its own problems unless U. S. gives active support to Kmt (Kuomintang) in which case Russia might find it necessary to take some action.

His general line as in some previous talks seems to be to place on U. S. responsibility for recurrence of civil strife in China.

He thought present conversations might be continued *pro forma* but appeared to have no hope that anything further would be accomplished.

ROBERTSON

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<sup>35</sup> Apparently a reference to Mr. Vincent's address made at the Foreign Policy Association Forum, "Between War and Peace", in New York, N.Y., on October 20; see Department of State *Bulletin*, October 21, 1945, p. 644.

<sup>36</sup> Apparently a reference to General Wedemeyer's War Department press conference of October 22.

S93.00/11-1045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 10, 1945—11 a. m.

[Received 3 p. m.]

1959. Dr. K. C. Wu informed us confidentially this morning that on October 30 Govt. made following six proposals in writing to Communists (sent to Dept; repeated to Moscow) :

1. Both sides to give orders to their troops to remain wherever they are and not attack other side.

2. Communists to withdraw their troops from places along railways which they have been raiding and Govt. will undertake not to send troops to those places. These sections to be guarded entirely by railway police.

3. A communication supervisory committee to be organized by People's Political Council with members of PCC, as well as other disinterested representatives from various localities concerned to make inspection along railway lines and report their findings about the true situation.

4. In case Govt finds it necessary to move troops along Peiping-Suiyuan railroad, Tatung-Puchow railroad, Tsingtao-Tsinan railroad, northern section of Pinghan railroad, eastern section of Lung-hai railroad, and northern section Tientsin-Pukow railroad, Govt will consult Communists first in order to reach agreement.

5. Both sides should endeavor earnestly within one month to reach a fundamental arrangement about reorganization of Communist troops and allotment of places where they will be stationed.

[6.] Proposed People's Consultative Council should be convened at once.

(Dr. Wu said that everyone but Communists had already named their delegates to People's Consultative Council, which consists of 8 Govt, 7 Communists, 13 third party, and 9 non-partisans, total of 37 members.)

Dr. Wu said Communists did not reply until November 8 when they made written communication in substance as follows :

1. Military Council of National Govt to issue orders to Govt troops to cease attacking immediately.

2. Govt to withdraw all its troops from "advanced occupied areas".

3. Govt to withdraw all troops from railways.

4. Govt to guarantee no further attacks by Govt troops.

Dr. Wu commented that Communist communication said nothing at all about Govt's six proposals; nothing about General Yeh Chien-ying coming to Chungking to take part in 3-man military committee to discuss military reorganization; and nothing about appointment of any Communist delegates to People's Consultative Council. He remarked that Communist first point was one-sided in that it

called only for Govt to issue orders to its troops; Govt had proposed that both sides issue such orders. He said Communist second point referred to "advanced occupied areas" which is extremely vague and not defined in any way. He said Communist third point merely referred to "railways", also not defined and very general. Communist fourth point, he said, was in same tenor as their first point, as it called only for Govt action with no mention of Communist action.

Dr. Wu said Chou En-lai, in recent talk with foreign correspondents, suggested that a "civil war investigation committee", which Communists preferred, be organized, and gave correspondents impression that this had been proposed to Govt. Dr. Wu said Communists had not mentioned this in their written communication. He said that, in order to counteract what he termed "this false propaganda war", he would talk to foreign press this afternoon and tell them generally of Govt proposals and Communist communication. He said he would not give out definite texts, as Govt had agreed not to do so without Communist agreement, but, in view of Chou En-lai's statements, he felt something must be done to correct false impression created by Chou.

Dr. Wu then went on to discuss situation in general. He said Communists obviously did not want to come to agreement with Govt, and he felt that Russians were back of whole matter. He commented on Russian bad faith, saying that Russians had guaranteed Chinese Govt troops land at Yingkow (Embassy's 1900, October 31<sup>37</sup>) between November 5 and 10, but that when Govt troops arrived there November 7 they found that Russian troops previously stationed there had departed and Communists in control; Chinese Govt troops, therefore, did not land, as this would have endangered Americans.

Dr. Wu said Russians always contend that Communists in Manchuria are "civilians", but these civilians seem to have plenty of arms, probably Japanese arms turned over to them by Russians or which Russians had allowed Japanese to turn over to them. Dr. Wu remarked that prior to Jap surrender it was widely known there were practically no Chinese Communists in Manchuria; he did not know how many Chinese Communists have gone to Manchuria since Jap surrender, but said there are large numbers of civilians recruited by Communists and armed as mentioned above. He believed many more Communists are now making their way to Manchuria from China. Dr. Wu seemed to feel that, while Russians may be retiring from Manchuria, they are clearly obstructing arrival of Govt troops and are leaving control to Communists, who would probably become a Russian puppet government.

Dr. Wu commented on great similarity of editorials now appearing in Communist papers in Yenan, Paris, Rome, London and New York,

<sup>37</sup> *Post*, p. 1035.

and said he felt sure they all originated in a central organization, probably some form of Third International which was theoretically abolished some time ago. He said these editorials all demanded immediate withdrawal of American troops from China, in order to avoid "democratic" interference in China, but he remarked they never said anything about Russian interference in China.

As Department is aware from Yen-an broadcasts, present Communist line is that America is primarily responsible for civil war in China (see Embassy's 1899, Oct. 31). They now seem to be centering their attack on General Wedemeyer, alleging that Wedemeyer's press statements are contrary to those of President Truman. In recent call at Embassy, Wang Ping-nan, Communist, again expressed Communist feeling that U. S. is primarily to blame for civil strife.

It may be of interest to report that during call mentioned above, Wang Ping-nan commented that Russians had not turned over Jap arms to Communists, but had merely allowed any "resistance forces" in area to accept Jap surrenders and arms. He said Russians would withdraw from Manchuria on schedule. He expressed opinion that after Russian withdrawal from Manchuria all would be peaceful and a democratic government would be organized; he did not say who would organize that government.

ROBERTSON

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893.00/11-1445 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*<sup>38</sup>

LONDON, November 14, 1945—6 p. m.

[Received 7:50 p. m.]

11934. We were told this morning by Sterndale Bennett<sup>39</sup> that Sir Horace Seymour, British Ambassador in China, will shortly return to London for consultation and vacation. In giving us this information Sterndale Bennett expressed his deep concern over present Chinese situation. He said Foreign Office information was fragmentary and confused but that it did look as if China was drifting inevitably into a large-scale civil war. He felt that only possible sure way to prevent civil war would be for U. S. and U. K. to tell both factions that they must negotiate and that force would be used to see that they did so. However, he added, he was just as sure that neither American nor British Govts could possibly take such a step without being instantly disavowed by the peoples of both countries. He expressed hope that after

<sup>38</sup> Repeated to the Chargé in China by the Secretary of State in telegram No. 1881, November 21, 5 p. m.

<sup>39</sup> Head of the Far Eastern Department, British Foreign Office.

consultation with Sir Horace he might be able to make more constructive suggestions.

WINANT

893.00/10-1845

*Digest of Yen-an Broadcast Monitored by the Federal Communications Commission*

[WASHINGTON, November 19, 1945.]

HURLEY STATEMENT NOT BASED ON FACTS

Yenan broadcasts in Mandarin: "Yenan, Nov. 16, Hsin Hwa News Agency—According to a special wire by the Central News Agency from New York on Nov. 14: American Ambassador to China, Hurley, made a statement in New Mexico stating that the armed units of the Communists attempted to set up an independent government or to overthrow the Government of the Republic of China.

"The Hsin Hwa News Agency is ordered to launch a stern protest against the libelous statement made by Mr. Hurley. That statement was absolutely unfounded and there are no facts to confirm it. We also believe that Mr. Hurley, who is holding an important position as Ambassador, has his etiquette towards the people of the country where he is stationed. The democratic people in the U. S. will be entirely justified in asking for his dismissal." (Yenan, in Mandarin to China, Nov. 17, 1945, 5:35 a. m. EST)

893.00/12-345: Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 3, 1945—2 p. m.

[Received December 3—6:42 a. m.]

2086. On November 25 Chou En-lai flew to Yen-an on Chinese plane. On November 26 Wang Ping-nan flew to Yen-an on American plane with several other Communists, three American and one French correspondents, one Govt. Ministry of Information representative and two U. S. Army officers (Major Lau of G-2 and Major Gillicks). U. S. plane returned to Chungking December first, bringing the 2 American officers, Wang Ping-nan and 20 other Communists (chiefly minor personnel of local Communist Hqrs (headquarters) and news agency), including 7 women and 3 children; one of women was Mrs. Peng Teh-huai and one of children was young son of Tung Pi-wu, now in Chungking (Sent Washington repeated Moscow).

Wang Ping-nan called at Embassy today. He said Yen-an had



definitely decided to participate in People's Consultative Council and that of seven delegates allotted to Communists five had been selected as follows: Chou En-lai; Tung Pi-wu; Yeh Chien-ying; Wang Jo-fei; and Teng Ying-chao (wife of Chou En-lai). He said two others would be selected and group would fly to Chungking for meeting to be held probably about December 10. Wang would not venture opinion as to outcome of PCC but admitted great importance of meeting to future of China. In this connection he said that future developments in China depend even to greater extent, however, on American policy toward China and Communists are therefore eagerly awaiting arrival of General Marshall and expected clarification of American position and Wang commented that Communists are not opposed to movement of Govt. troops into Manchuria and said that they are not now opposing this movement. He expressed opinion that solution of Manchurian problem is coalition type of Govt. composed of various popular groups; Govt. should be democratic and representative of following groups: (a) long established popular resistance elements in Manchuria some of which are Communists but many are not, (b) former Manchurian soldiers of Chang Hsueh-liang, (c) Central Govt., (d) Eighth Route Army elements, including 20,000 who were captured by Japs and moved to Manchuria for labor work and also Eighth Routers who marched in after Jap surrender from Shantung and Yen-an, including a few by boat from Shantung.

Wang made a particular point of stating that Soviet policy is one thing but that Chinese Communist policy is their own and independent of Soviet policy. In an apparent effort to counter recent charges in Chinese Govt press, he emphasized that Chinese Communists are particularly desirous of maintaining cordial relations with the U. S., recognizing that China must have American assistance in post-war period.

SMYTH

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893.00/12-1745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 17, 1945—10 a. m.

[Received 2:33 p. m.]

2172. This morning Wang Ping-nan, Communist representative, called at Embassy. He said 2 planes arrived from Yen-an yesterday, bringing about 40 Communists, including 5 of the 7 Communist delegates to People's Consultative Council, as follows: Chou En-lai; Yeh Chien-ying, Communist Chief-of-Staff; Teng Ying-chao, wife of Chou En-lai; Wu Yu-chang, stated by Wang to have been a former

Tung Meng Hui member and later an official of the Kuomintang; and Lou Ting-i, Yenan Minister of Information (Embassy's 2086, December 3 to Dept, repeated to Moscow). The two other Communist delegates, Tung Pi-wu and Wang Jo-fei, were already in Chungking. Wang said date of PCC would be set upon return of Generalissimo to Chungking.

Wang said Communists welcomed and were very much pleased over President Truman's statement<sup>40</sup> as they felt it clarified American policy toward China. (Sent to Dept; repeated to Moscow.)

Wang commented that he believed three factors in international situation would have important bearing on outcome of present situation in China, namely (1) current American-Soviet conversations, (2) position assumed by General Marshall and (3) a more detailed definition of American policy toward China.

He did not venture a prediction of outcome of PCC meeting.

ROBERTSON

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893.00/12-2045

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

No. 2333

Moscow, December 20, 1945.

[Received February 4, 1946.]

The Chargé d'Affaires ad interim has the honor to enclose a report<sup>40a</sup> on a lecture entitled "China After the War" made on December 18, 1945 by A. S. Perevertailo, a candidate of Historical Sciences. This lecture, like all other public lectures in the Soviet Union, is officially inspired and officially supported. Perevertailo's opinions expressed therein therefore do not represent only his personal views but may be said to set forth the official line now current regarding China.

The enclosed Report is summarized below by subjects:

*Democracy* in China has not been achieved. China has a constitution but no democratic rights.

*The Chinese Communists* are the main democratic force in China. They led 100,000,000 Chinese through the school for democracy. The success of the Chinese Communists has stimulated reactionary provocation. There are 1,000,000 Chinese Communist troops.

*The Kuomintang* is a one-party dictatorship. There are, however,

<sup>40</sup> Of December 15, "U.S. Policy Towards China", p. 770.

<sup>40a</sup> Not printed.

progressive elements in the Kuomintang. Sun Fo is among them.

*Reactionaries* in China are fascist minded and helped the Japanese during the war. The big landlords are the chief reactionaries. Allied with them are reactionary bourgeois and officials. Reactionary military leaders long ago stated that they would have attacked the Chinese Communists, but they were restrained by Chiang Kai-shek. A certain book (presumably *China's Destiny*) falsely maintained that China was always democratic, rejected the western concept of democracy and idealized "feudal social relations".

*The U. S. S. R.* together with China would embrace one quarter of the world's surface and one half of the world's population. If they were to unite in the struggle for peace, they would make a great contribution. The U. S. S. R. was the first power to relinquish its rights under the unequal treaties and has always supported the struggle of the Chinese people for liberation. From the onset of Japanese aggression, while others encouraged aggression, the U. S. S. R. opposed it. The defeat of Germany laid the groundwork for the defeat of Japan and the Red Army's Manchurian campaign played a decisive role in Japan's final downfall. Despite this, some people attempt to minimize the U. S. S. R.'s contribution to the defeat of Japan. Japanese imperialists are still active and seek to drive a wedge between the U. S. S. R. and China. In implied contrast to the policy of the United States toward China, that of the Soviet Union in China is based on non-intervention toward Chinese internal affairs.

*The United States* gained great influence in China during the war. Chinese Government circles were orientated toward the United States. General Wedemeyer and others admitted that the United States had strengthened the position of the Central Government. It was implied that, as a result, reactionaries were able to seize areas which the Communists had captured from the Japanese. In contrast to the Central Government's aggressive attitude, the Communists had withdrawn their forces from Central China as a contribution toward domestic agreement. Concern is being felt in China over the influx of foreign capital. American commercial interests want to take Japan's place in the China market, supply two-thirds of China's imports and play a large part in reconstruction. American imperialists want to extend the economic borders of the United States to the Ganges and make China an American economic sphere. The progressive press in the United States and China hope that General Marshall will help bring about an agreement among the various factions in China.

*Questions asked by the audience* are covered on pages 4 and 5 of the enclosed report. They indicate that at least a few in the audience were skeptical of some of the lecturer's statements, particularly his contention that the Communist troops were equipped only with arms which they had captured from the Japanese. That the Soviet propaganda line toward Chiang Kai-shek is a deliberately blurred one (presumably designed to leave a way open for either approbation or denunciation) is clearly revealed in the final paragraphs of the report.

893.00/12-2145 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 21, 1945—4 p. m.

[Received December 21—10:05 a. m.]

2200. Included in Dept's Radio Bulletin 301, December 20, received this morning was item stating:

"An unconfirmed dispatch from Chungking reports that Chinese Communists have agreed to stop fighting and that they further agree to concessions for a permanent peace."

As Embassy had heard of no such report, we inquired informally of Durdin, local *New York Times* correspondent. He said that 2 days ago Chou En-lai had lunch with Shao Li-tse; <sup>41</sup> Chou made a proposal for unconditional cessation of hostilities pending negotiations for settlement; Shao suggested that cessation of hostilities should be accompanied by a Communist withdrawal from certain railroad lines but Chou refused saying his offer was unconditional. This seems to have been basis for news report (apparently U. P.) in question (sent Department; repeated Moscow).

Durdin also said that at press interview this morning Communists flatly denied truth of U. P. dispatch on cessation of hostilities, stating that fighting is still going on with Govt troops taking the initiative.

Durdin said that subsequently a Govt spokesman also denied truth of U. P. dispatch, stating that fighting is still going on in which Communists are taking initiative. Govt spokesman added that Communist claim of formal proposal to cease hostilities is pure propaganda as offer was made at social function and therefore could not be considered official. Spokesman said that if Communists would make such proposal formally and in writing Govt would, of course, give it due consideration.

It is respectfully suggested that at this juncture it seems particularly inadvisable that an unconfirmed report of this nature be broadcast in State Dept Radio Bulletin. Fortunately USIS <sup>41a</sup> China which uses some State Dept *Bulletin* material did not release item in question.

SMYTH

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<sup>41</sup> Secretary General of Chinese People's Political Council and concurrently of the Commission for the Inauguration of Constitutional Government.

<sup>41a</sup> United States Information Service.

893.00/12-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 29, 1945—11 a. m.

[Received January 5, 1946—2:39 p. m.]

2242. Reliable American correspondents inform us as follows regarding Communist truce proposal:

1. Communists submitted formal written proposal to Govt Dec. 27 for truce including cease fire order, nationwide freezing troops in present positions and naming impartial committee to proceed to scenes of fighting for investigation. Communists refused to disclose to correspondents actual text of proposal. (Emb 2200, Dec. 21 to Dept, repeated Moscow.)

2. Information Minister K. C. Wu informed correspondents Dec. 28 proposals would be discussed by representatives two sides today, Govt to be represented by Chang Chun, Wang Shih-chieh and Shao Li-tze and Communists by Chou En-lai, Yeh Chien-ying and Wang Jo-fei. Discussions today also to decide date of opening of PCC meeting. (Sent Dept, repeated Moscow.) Wu said Communist truce proposal actually reply to Govt proposal Oct. 31<sup>42</sup> which envisaged Communist withdrawal to points 10 miles from railway lines, Govt policing of such lines with police force but not troops and no movement Central Govt troops without prior "consultation" with Communists. Wu said Communist proposal arose from defeats they recently suffered at Paotou, Kueisui and Tatung and in Shantung and Hupeh.

ROBERTSON

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<sup>42</sup> See telegram No. 1959, November 10, 11 a. m., from the Chargé in China, p. 483.

## QUESTIONS INVOLVING JAPANESE SURRENDER ARRANGEMENTS

### I. CHINESE PARTICIPATION IN JAPANESE SURRENDER; DISPUTE BETWEEN THE CHINESE AND THE BRITISH AND FRENCH RE- SPECTIVELY OVER SURRENDER OF JAPANESE IN HONG KONG AND INDOCHINA

740.00119 P. W./8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—10 a. m.  
[Received 9:55 p. m.]

1311. In view of imminent possibility of surrender of Japan, I am advised that American Staff has designated two American officers to accept surrender. No reference is made to the participation of China or the Generalissimo<sup>1</sup> in receiving surrender. I recommend that the Generalissimo or his designated military representative be invited to be present and participate in receiving the surrender of Japan. To do otherwise after China's 8 years of war against Japan would be injurious to China's prestige in Asia.

HURLEY

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740.00119 P. W./8-1045 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 10, 1945—3:45 p. m.

[White House No. 321.] Please deliver at once to the Minister for Foreign Affairs<sup>2</sup> or the Generalissimo the following message. Please impress upon the Minister for Foreign Affairs or the Generalissimo the urgency of a reply to this message and telegraph at once his reply.

"1. This Government proposes that a reply as quoted in paragraph 3 be made to the Japanese Government's acceptance of the Potsdam Proclamation.<sup>3</sup>

<sup>1</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>2</sup> Wang Shih-chieh.

<sup>3</sup> Proclamation defining terms for Japanese surrender, dated July 26, Department of State *Bulletin*, July 29, 1945, p. 137; see also *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1474.

"2. In order that hostilities may be terminated and further loss of life be prevented this Government hopes that the Chinese Government will associate itself with this Government in making an early reply as quoted in paragraph 3.

"3. With regard to the Japanese Government's message<sup>4</sup> accepting the terms of the Potsdam proclamation, but containing the statement 'with the understanding that the said declaration does not comprise any demand which prejudices the prerogatives of His Majesty as a sovereign ruler', our position is as follows:

'From the moment of surrender the authority of the Emperor and the Japanese Government to rule the state shall be subject to the Supreme Commander of the Allied Powers<sup>5</sup> who will take such steps as he deems proper to effectuate the surrender terms.

'The Emperor and the Japanese High Command will be required to sign the surrender terms necessary to carry out the provisions of the Potsdam Declaration, to issue orders to all the armed forces of Japan to cease hostilities and to surrender their arms, and to issue such other orders as the Supreme Commander may require to give effect to the surrender terms.

'Immediately upon the surrender the Japanese Government shall transport prisoners of war and civilian internees to places of safety, as directed, where they can quickly be placed aboard Allied transports.

'The ultimate form of government of Japan shall, in accordance with the Potsdam Declaration, be established by the freely expressed will of the Japanese people.

'The armed forces of the Allied Powers will remain in Japan until the purposes set forth in the Potsdam Declaration are achieved'."

[BYRNES]

740.00119 P. W./8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 11, 1945—8 a. m.

[Received August 10—11 : 25 p. m.]

1325. At 0720 hours, Chungking time, August 11, I delivered to the Generalissimo your White House 321 received by me at 0645 hours Chungking time, August 11. At 0738 the Generalissimo asked me to convey through the Secretary of State the following reply to the President:

"President Truman: I concur in all the conditions and join you in your reply to the Japanese Government on the acceptance of the Potsdam Proclamation. I especially concur in the condition to require the Emperor and the Japanese High Command to sign the surrender terms and issue orders to make surrender effective. I also concur in the condition requiring that the ultimate form of government of Japan shall be in accordance with the freely expressed will of the Japanese people. This latter is a condition which I have expressed over a period of years.

Chiang Kai-shek."

<sup>4</sup> August 10; Department of State *Bulletin*, August 12, 1945, p. 205.

<sup>5</sup> Gen. Douglas MacArthur.

New subject: Personal message from the Generalissimo to the President as follows:

“I congratulate you on the victory and wish you the best of health.  
Chiang Kai-shek. [”]

HURLEY

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Nanking Embassy Files, Lot F-73: Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

[WASHINGTON, August 11, 1945.]

[White House No. 323.] For immediate delivery to Chinese Government.

As a result of circulation of draft of reply to Japanese Government, have made unimportant change in language in paragraph 3 of draft which was approved by your Government.

In order to save time, am forwarding reply to the Japanese Government without waiting for approval of this slight change by the several Governments, feeling confident the change will meet with approval.

Message forwarded through Swiss Government reads as follows:

“I have the honor to acknowledge the receipt of your note of August 10 and in reply to inform you that the President of the United States has directed me to send to you for transmission by your Government to the Japanese Government the following message on behalf of the Governments of the United States, the United Kingdom, the Union of Soviet Socialist Republics, and China:

“With regard to the Japanese Government’s message accepting the terms of the Potsdam Proclamation but containing the statement “with the understanding that the said declaration does not comprise any demand which prejudices the prerogatives of His Majesty as a sovereign ruler,” our position is as follows:

“From the moment of surrender the authority of the Emperor and the Japanese Government to rule the state shall be subject to the Supreme Commander of the Allied Powers who will take such steps as he deems proper to effectuate the surrender terms.

“The Emperor will be required to authorize and ensure the signature by the Government of Japan and Japanese Imperial General Headquarters of the surrender terms necessary to carry out the provisions of the Potsdam Declaration, and shall issue his commands to all the Japanese military, naval and air authorities and to all the forces under their control wherever located to cease active operations and to surrender their arms, and to issue such other orders as the Supreme Commander may require to give effect to the surrender terms.

“Immediately upon the surrender the Japanese Government shall transport prisoners of war and civilian internees to places of safety, as directed, where they can quickly be placed aboard Allied transports.

“The ultimate form of government of Japan shall, in accordance with the Potsdam Declaration, be established by the freely expressed will of the Japanese people.

“The armed forces of the Allied Powers will remain in Japan until the purposes set forth in the Potsdam Declaration are achieved.

‘Accept, sir, et cetera’”.

[BYRNES]



740.00119 P. W./8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 11, 1945—10 p. m.

[Received August 11—12:15 p. m.]

1331. Perplexed by wording of your 1233, August 10, 7 p. m., received Chungking August 11, 4 p. m., which is as follows: "Agree with proposal in your 1311, August 9, and recommend that it be done".<sup>6</sup>

I inquire are you recommending to the President or the Joint Chiefs of Staff that the Generalissimo, or his designated military representative, be invited to be present and participate in receiving the surrender of Japan from the Emperor and the Japanese High Command under the terms of the Potsdam Declaration?

I am reliably advised that Washington has designated an American Admiral and an American General to receive surrender but has not invited the Generalissimo to participate.

I suggest that the staff arrange for the Generalissimo's participation through General Wedemeyer, who feels that Generalissimo's representative should be a Chinese.

HURLEY

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Nanking Embassy Files, Lot F-73 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

[WASHINGTON,] August 11, 1945.

[White House No. 327.] Please deliver immediately the following message to Generalissimo Chiang Kai-shek from the President:

"In accordance with the message dated August 11,<sup>7</sup> addressed by the United States to the Swiss Government for transmission to the Japanese Government in reply to the note received from the Swiss Government on August 10, 1945, I propose that General of the Army, Douglas MacArthur, be designated Supreme Commander for the Allied Powers to accept, coordinate and carry into effect the general surrender of the Japanese armed forces.

"If you will notify me of the designation of the officer you wish to act as your representative, I will instruct General MacArthur to make the arrangements necessary for your representative to be present at the time and place of surrender.

<sup>6</sup> This sentence comprises the entire telegram. In telegram No. 1237, August 11, noon, to the Ambassador in China, the Secretary of State stated: "We understand that (ReEmbs 1311, August 9, 10 a. m.), as decisions are arrived at, the War Department is sending appropriate instructions to General Wedemeyer in this and related matters." (740.00119 P. W./8-945) Gen. Albert C. Wedemeyer was Commanding General, U. S. Forces in the China Theater and concurrently Chief of Staff of the China Theater.

<sup>7</sup> White House No. 323, August 11, p. 494.

"It is also contemplated that General MacArthur will direct the Japanese Imperial General Headquarters to have Japanese forces in China, other than those opposing the Russians, surrender unconditionally to you or your subordinate commanders.

"I am assuming that you are in general accord with the above procedure and am issuing preliminary instructions to General MacArthur to this effect. I request you advise me immediately of your designated representative so that I may notify General MacArthur. I suggest that direct communication with General MacArthur on such arrangements be initiated at once."

BYRNES

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740.00119 P. W./8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 11 [12<sup>?</sup>], 1945.

[Received August 11—6: 10 p. m.]

[CFB 4316.] Your White House No. 323 <sup>7a</sup> received 0040 hours, Chungking time, August 12, delivered to Acting Minister for Foreign Affairs <sup>8</sup> at 0110 hours, Chungking time, August 12, who immediately replied as follows:

"The Chinese Government concurs in change that you have made in transmitting reply to the Japanese Government on the terms of surrender under the Potsdam Declaration."

HURLEY

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740.00119 P. W./8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State* <sup>9</sup>

CHUNGKING, [August 12, 1945—2: 12 a. m. (?) ]

[Received August 11, 1945—11: 58 p. m.]

[120212.] Your White House 327 <sup>9a</sup> delivered to Generalissimo 0910 hours, Chungking time, August 12. Generalissimo is in complete accord with the conditions of your message. He requested a short time to select officers to accompany MacArthur, also to designate officers who will accept surrender of all enemy troops in China other than those opposing Russians. In compliance with your suggestion, will hereafter contact MacArthur directly.

HURLEY

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<sup>7a</sup> Dated August 11, p. 494.

<sup>8</sup> K. C. Wu, Chinese Vice Minister for Foreign Affairs.

<sup>9</sup> Copy sent to the White House.

<sup>9a</sup> Dated August 11, p. 495.

740.00119 P. W./8-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 12, 1945—3 p. m.

[Received August 12—8: 10 a. m.]

1337. Generalissimo Chiang Kai-shek has designated General Hsu Yung-chang, of the Chinese Army, head of the Military Operations Department of the Military Affairs Council, to represent the National Government of the Republic of China to accompany General MacArthur to receive the surrender of Japan. I have informed General Wedemeyer and he is taking details up directly with General MacArthur through military channels.

HURLEY

740.00119 P. W./8-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>10</sup>

CHUNGKING, August 13, 1945—[6: 15 a. m.]

[Received 7: 48 a. m.]

[CFB 4432.] I have received the following message from the Generalissimo for President Truman in reply to the message conveyed in White House 327:

“President Harry S. Truman: I beg to acknowledge the receipt of your message concerning the various arrangements for accepting the general surrender of the Japanese. I welcome the appointment of General of the Army Douglas MacArthur as the Supreme Allied Commander. I am especially grateful for your support of the National Government of China and note with gratification your decision that General MacArthur will direct the Japanese Imperial General Headquarters to have Japanese forces in China, other than those opposing the Russians, surrender unconditionally to me or my subordinate commanders. In accordance with your suggestion, I have communicated with General MacArthur directly, informing him of my designation of General Hsu Yung-chang as my representative and also giving him the following message:

“President Truman has sent me a message proposing to designate you as Supreme Commander for the Allied Powers to accept, coordinate and carry into effect the general surrender of the Japanese Armed Forces. I heartily endorse this proposal and am glad to associate myself with such a great soldier in this task. In compliance with President Truman's request I have designated General Hsu Yung-chang, Minister of the Board of Military Operations of the National Military Council, as my representative at the surrender. I trust you will be good enough to make the necessary arrangements to enable General Hsu to be present when the surrender is formally signed by the representatives of the Japanese General Staff as well as to give him guidance and cooperation in every way.

“President Truman also said in his message: “It is also contemplated that General MacArthur will direct the Japanese Imperial General Headquarters to have the Japanese forces in China, other than those opposing the Russians,

<sup>10</sup> Copy sent to the White House.

surrender unconditionally to you or your subordinate commanders." He further suggested that direct communication with you on such arrangements should be initiated at once.

"I wish to request you accordingly to issue the necessary orders to Japanese Imperial Headquarters for the specific purpose of preventing the surrender of any Japanese forces in China including puppets and armed bands cooperating with the Japanese to any Chinese armed political parties or Chinese partisans. The Japanese surrender and the surrender of all Japanese arms and equipment shall be made only to officials of the National Government of China to be designated to you by me. In particular the Japanese Imperial Headquarters and all Japanese commanders in the China Theater (other than those opposing the Russians) should be held strictly accountable for full compliance with the above directive.

"I send you my cordial greetings and personal good wishes, and am proud to cooperate with you in this supreme undertaking of restoring peace and stability in the Far East."

HURLEY

740.0011 P. W./8-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 13, 1945—10 p. m.

[Received August 13—8:36 p. m.]

1348. On Saturday French Chargé d'Affaires Jean Daridan called on the Acting Minister for Foreign Affairs to request that (1) Chinese Government make use of the approximately 5,000 French troops now in the vicinity of Kunming for the occupation of French Indochina. (These are French refugee troops who retreated some months ago into China from French Indochina. See my telegram No. 718, May 3, 2 p. m.<sup>11</sup> and related correspondence.)

Dr. Wu, Acting Foreign Minister, replied that the request would be referred to the appropriate Chinese military authorities. (Sent to Department, repeated to Paris.)

Prior to his Foreign Office call the French Chargé visited General Wedemeyer in the latter's capacity as the Generalissimo's Chief of Staff, to request participation in reoccupation of French Indochina by the aforesaid French Forces and their transportation to French Indochina by airplane. Wedemeyer has since received General Alessandri, commanding French general in this theater. General Wedemeyer said he would be happy to help in any way possible but referred to the transportation difficulties. He authorized one French plane to operate between Kunming-Mengtze area and Hanoi, transporting key French personnel, and agreed to consult with the Generalissimo concerning other collaboration requested. Latter has since authorized French Yunnan troops to proceed overland from Mengtze area via Laokay to Hanoi.

Discussing his call at the Chinese Foreign Office, the Chargé stated to Briggs<sup>12</sup> that he had told Dr. Wu that it would have a "very bad

<sup>11</sup> *Ante*, p. 99.

<sup>12</sup> Ellis O. Briggs, Counselor of Embassy.

effect" and might "gravely prejudice" Sino-French relations should these French troops not be permitted to proceed to Indochina. He also predicted "serious trouble" should Chinese troops enter Indochina. He likewise brought up the question of French prisoners of war, of whom there are an estimated 10,000 to 12,000 in the hands of the Japanese; it was explained to him that under the proposed surrender terms the Japanese would be responsible for their safe transportation to places designated by the Allied military command. It was also pointed out that French Indochina is in the China Theater and that the Generalissimo is the Supreme Commander of the China Theater.

Wedemeyer informs me that there are two Chinese divisions in the vicinity of Nanning near the French Indochina border. These two divisions will probably be despatched to Indochina to facilitate repatriation, disarmament, and to receive surrender of Japanese Forces. (Estimated number of such forces in French Indochina is between 50,000 and 60,000.)

It is obvious from the foregoing that France is urgently desirous of complete reestablishment of her authority in Indochina at the earliest possible moment, and views with disfavor having any Chinese troops enter Indochina.

No provision exists in the Potsdam Declaration that the surrender of the Japanese in Indochina be made to anyone other than the Generalissimo as Supreme Commander of the China Theater, or to his designated representative. The French desire to save face by accepting Japanese surrender themselves. Neither General Wedemeyer nor this Embassy has any authority to change the Potsdam Declaration or the surrender terms drafted pursuant thereto. Nevertheless, unless you direct me to the contrary, I am considering suggesting to the Generalissimo that an arrangement be made directly between the Chinese and French Governments whereby French representatives will participate in receiving surrender of Japanese Forces in French Indochina.

HURLEY

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740.0011 PW/8-1445 : Telegram

*The Secretary of State to the Ambassador in France (Caffrey)*<sup>13</sup>

WASHINGTON, August 14, 1945—8 p. m.

3852. Please inform Bidault<sup>14</sup> that under the plan which Japanese have been ordered to follow they are to surrender in northern

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<sup>13</sup> Repeated to the Ambassador in China (Hurley) on the same date as telegram No. 1257, with the following opening paragraph: "Please be guided by instructions contained in final paragraph of the following telegram which has been sent to Paris."

<sup>14</sup> Georges Bidault, French Minister for Foreign Affairs.

part of Indo-China to Chiang Kai Shek and in the southern part to Mountbatten.<sup>15</sup> You should emphasize that this division is a purely operational matter based on the available forces in the area and has no political significance whatever.

You should add that we are suggesting to the British and Chinese Governments that they invite French representatives to be present on the occasion of the acceptance of the Japanese surrender in Indo-China. The French may wish to take the question up directly with those Governments.

Ambassadors Winant<sup>16</sup> and Hurley are being instructed to support any representations which their French colleagues may make to this end.

BYRNES

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740.00119 PW/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—10 p. m.

[Received August 16—5 p. m.]

1370. I have just received from Dr. Wu, Acting Minister for Foreign Affairs, a copy of a memorandum which the Chinese Government sent to the British Embassy on this date. The memorandum is self-explanatory and is, in full, as follows:<sup>17</sup>

“The memorandum of the British Embassy of this date is received, and for the purpose of this reply it is quoted in full as follows:

‘Among the most urgent tasks to be tackled after the Japanese surrender will be the reoccupation of key areas in the occupied territories, the enforcement of the terms of surrender and the expeditious disarmament of the Japanese forces.

“2. His Majesty’s Government desire that His Excellency the President of the Republic of China should know at once that His Majesty’s Government are arranging for the despatch of the necessary British forces to reoccupy and restore the administration of Hong Kong and to ensure control over the headquarters of the Japanese southern armies, which is at Saigon.

“3. In regard to the latter point, events have overtaken the negotiations over the command of boundaries in Indochina, about which His Excellency the President addressed the Prime Minister<sup>18</sup> on August 7: His Majesty’s Government consider that the Japanese surrender will make it unnecessary to pursue the question further. His Majesty’s Government trust that His Excellency the President will agree with them that the common object of both Governments should now be to restore the French administration of Indochina and to facilitate the return of French forces and administrative officers for this purpose, as soon as they are available.’

The Chinese Government regret to find that what is proposed in the foregoing memorandum in regard to the British desire to reoccupy

<sup>15</sup> Adm. Lord Louis Mountbatten, Supreme Allied Commander, Southeast Asia.

<sup>16</sup> John G. Winant, Ambassador in the United Kingdom.

<sup>17</sup> The text of this memorandum, except for the text of the British memorandum quoted, was transmitted to the Department by the British Embassy in Washington on August 21.

<sup>18</sup> Clement R. Atlee.

Hong Kong and to ensure control over the headquarters of the Japanese southern armies, etc., is not in accord with the general order of surrender<sup>19</sup> which President Truman has sent to the Supreme Commander for the Allied Powers and of which this Government has received a copy.

It is stated in paragraph 'R' ['A'] of the above-mentioned order that 'The Senior Japanese Commanders and all ground, sea, air and auxiliary forces within China (excluding Manchuria), Formosa and French Indochina north of 16 degrees north latitude shall surrender to Generalissimo Chiang Kai-shek'.

Further the same order in paragraph 'C' is in full as follows:

'The Senior Japanese Commanders and all ground, sea, air and auxiliary forces within the Andamans, Nicobars, Burma, Thailand, French Indochina south of 16 degrees north latitude, Malaya, Borneo, Netherlands Indies, New Guinea, Bismarcks, and the Solomons shall surrender (to the Supreme Allied Commander, Southeast Asia Command or the Commanding General, Australian forces—the exact breakdown between Mountbatten and the Australians to be arranged between them and the details of this paragraph then prepared by the Supreme Commander for the Allied Powers).'

It is noted that Hong Kong is not included in the places to be surrendered to the Supreme Allied Commander of Southeast Asia Command and it is in the area in which Japanese forces are to surrender to the Generalissimo of the China Theater. It is noted also that the suggestion made in the memorandum of the British Embassy pertaining to Indochina is also in conflict with both paragraph 'A' and paragraph 'C' of the order above referred to. The Chinese Government respect all legitimate British interests, and are prepared to accord them every necessary protection. But as a concerted plan of accepting the surrender of the Japanese forces is essential to the restoration of peace and order in Asia, it is suggested that His Majesty's Government should make arrangements for the acceptance of the surrender of the Japanese forces in accordance with the general order of the Allied Nations and refrain from landing troops in any place in the China Theater without getting authority from the Supreme Commander for Allied Powers and the Supreme Commander of this theater. Signed K. C. Wu."

HURLEY

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740.00119 PW/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—11 p. m.

[Received August 16—5:25 p. m.]

1371. (The following message is from the President of the National Government of the Republic of China to the President of the United States of America.)

"In your message of August 11th<sup>20</sup> transmitted to me by Ambassador Hurley, you stated in part: 'It is also contemplated that General Mac-

<sup>19</sup> Directive by President Truman to the Supreme Commander for the Allied Powers (MacArthur), August 15, 1945, p. 530.

<sup>20</sup> White House telegram No. 327, p. 495.

Arthur will direct the Japanese Imperial General Headquarters to have Japanese forces in China, other than those opposing the Russians, surrender unconditionally to you or your subordinate commanders'. You further directed in that telegram that I enter into direct communication with General MacArthur. I immediately sent a telegram to General MacArthur agreeing to the plan of surrender proposed by you. Today I received a paraphrase of a general order to General of the Army MacArthur covering details of surrender of the Japanese armed forces. The plan of surrender outlined in that order, so far as it pertains to China, is in full as follows :

'The Senior Japanese Commanders and all ground, sea, air and auxiliary forces within China (excluding Manchuria), Formosa and French Indochina north of 16 degrees north latitude shall surrender to Generalissimo Chiang Kai-shek.'

Paragraph 'C' of the order above referred to is in full as follows :

'The Senior Japanese Commanders and all ground, sea, air and auxiliary forces within the Andamans, Nicobars, Burma, Thailand, Netherlands Indies, New Guinea, Bismarcks, and the Solomons shall surrender (to the Supreme Allied Commander, Southeast Asia Command or the Commanding General, Australian forces, the exact breakdown between Mountbatten and the Australians to be arranged between them and the details of this paragraph then prepared by the Supreme Commander for the Allied Powers).'

Hong Kong is in the Chinese Theater. Hong Kong is not included in the order above referred to as one of the places in which the Japanese forces will surrender to the British. Notwithstanding this I have today received the following memorandum from the British Embassy in Chungking :

[Here follows text of memorandum quoted in telegram No. 1370, August 16, 10 p. m., *supra*.]

The National Government of the Republic of China is now on the most friendly terms with His Majesty's Government; but if the British Government does take such actions in contradiction to the agreements and the cooperative spirit of the Allied Nations, it will be indeed a matter of great misfortune to the Allies. I suggest, therefore, Mr. President, that this situation be brought at once to the attention of His Majesty's Government and the Supreme Commander of the British forces and that they be requested to make their arrangements in accordance with your general order and refrain from taking any unwarrantable action.

Chiang Kai-shek by K. C. Wu."

HURLEY



740.00119 P. W./8-1745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 17, 1945—4 p. m.

[Received August 17—6:44 a. m.]

1373. I have just received from Dr. K. C. Wu, Acting Minister for Foreign Affairs, the following letter which is self-explanatory and is, in full, as follows:

“My Dear Mr. Ambassador: I am directed by the Generalissimo to inform you that the following memorandum was handed by this Ministry to the French Chargé d’Affaires today.

“The Ministry of Foreign Affairs of the National Government of the Republic of China presents its compliments to the French Embassy and, referring to the Embassy’s *aide-mémoire* dated August 14, 1945, requesting that the 5000 French troops now stationed in China be authorized to return to Indochina wherefrom they had recently evacuated, has the honor to inform the Embassy that the Chinese Government agrees to this proposal and that the necessary orders have been issued to the headquarters of the Commander in Chief of the Chinese Army which will in turn instruct these troops to prepare to return to Indochina.

The Chinese Government understands that within that area of Indochina demarcated for the Chinese Command to accept the surrender of the Japanese forces, the aforesaid French troops and other French armed forces as well as auxiliary forces shall coordinate their movements with the Chinese troops and that they shall be placed under the direction of the Supreme Commander of the China Theater or of the representative designated by him.’

I am also directed to make known to the French Chargé d’Affaires that as soon as the time and place for the acceptance of the surrender of the Japanese forces in the above-mentioned area are fixed, and as soon as the Chinese Commander to receive the surrender is designated, General Alessandri will be invited to go with him.

Yours sincerely, K. C. Wu.”

HURLEY

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40.00119 PW/8-1845

*The President of the Chinese Executive Yuan (Soong) to the Secretary of State*

[WASHINGTON,] August 18, 1945.

DEAR MR. BYRNES: In connection with what you told me about Hongkong: Since Hongkong is in the China Theatre it seems to me perfectly logical to say to the British that surrender of the Japanese there should be tendered to the Supreme Commander of the China Theatre or his nominee, leaving in abeyance the question as to the eventual disposition of Hongkong.

With kind regards [etc.]

T. V. SOONG

740.00119 PW/8-1845

*The British Prime Minister (Attlee) to President Truman*

No. 6

[LONDON,] August 18, 1945.

Thank you for your personal and Top Secret telegram number 4<sup>21</sup> containing general order number one<sup>22</sup> to General of the Army MacArthur, which you have approved with the understanding that it is subject to change both by further instructions issued through The Joint Chiefs of Staff and in matters of detail by The Supreme Commander for the Allied Forces in the light of the operational situation as known by him.

2. I am in general agreement with your order which is now being examined in detail. Meanwhile I have the following comments about Hong Kong.

3. Chiang Kai Shek is claiming that Hong Kong is in the area in which Japanese forces are to surrender to him as Generalissimo of the China theatre. While we are proposing to inform Chiang Kai Shek that we shall welcome the presence of a representative of his on the occasion of the acceptance of the surrender of Japanese forces in Hong Kong, we cannot accept any interpretation of general order number one as meaning that Hong Kong, which is British territory, is included in the expression "within China".

4. As has already been notified to The Joint Chiefs of Staff and the Chinese Government, a British naval force is now on its way to release Hong Kong from Japanese occupation, to bring aid to prisoners and internees situated in the colony and to restore the British administration. It may be that the Japanese commanders on the spot may regard Hong Kong as being "within China", and I therefore request you to instruct the Allied Supreme Commander, General of the Army MacArthur to order the Japanese High Command to ensure that the Japanese local commanders in the British Colony of Hong Kong shall surrender to the commander of the British naval force on his arrival.

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<sup>21</sup> Not found in Department files. Telegram No. 6935, August 16, 6 p. m., to the Ambassador in the United Kingdom (Winant) stated: "General Order No. 1 was sent out from Washington last night by the White House directed for delivery to Prime Minister." (740.00119PW/8-1645)

<sup>22</sup> For text of General Order No. 1, see directive by President Truman to the Supreme Commander for the Allied Powers (MacArthur), August 15, p. 530.

740.00119 PW/8-1845

*Memorandum by Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the U. S. Army and Navy, to the Secretary of State*<sup>23</sup>

WASHINGTON, August 18, 1945.

I am forwarding herewith Prime Minister's Message No. 6 to the President<sup>24</sup> regarding the surrender of Hong Kong.

The President informs me that he has discussed the matter with the Secretary of State and is in agreement with the Secretary of State's attitude as expressed to me by you.

Will you be kind enough to prepare a reply to Prime Minister's No. 6 and also inform the War Department of the action taken, in order that Hong Kong may be definitely removed from the China theater for surrender purposes.

WILLIAM D. LEAHY

740.00119 PW/8-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 19, 1945—1 p. m. [*a. m.*]

[Received August 18—12:45 p. m.]

1396. The Generalissimo has made available to me for your information the following letter sent on August 18 by the British Ambassador to the Chinese Acting Minister for Foreign Affairs on the subject of proposed British action at Hong Kong and Saigon. (Re-Embstel 1370, August 16, 10 a. m. [*p. m.*]) It reads as follows:

“Immediate Top Secret and Personal

My Dear Vice Minister: With reference to our conversation yesterday, I am under instructions from Government to let His Excellency the President know that the instructions in the telegram upon which Mr. Wallinger<sup>25</sup> based his memorandum of August 16<sup>25a</sup> was sent from London before His Majesty's Government had any knowledge of the general order to which your memorandum of the same date refers.

2. I am to add that in giving His Excellency the earliest possible advance information of their intentions, His Majesty's Government were acting in good faith, in accordance with their view that irrespective of operational theatres, wherever the sovereign power has sufficient forces available, it should resume its authority and accept the Japanese surrender in its own territory.

<sup>23</sup> For the attention of the Assistant Secretary of State (Dunn).

<sup>24</sup> *Supra*.

<sup>25</sup> Geoffrey Arnold Wallinger, British Counselor of Embassy.

<sup>25a</sup> See telegram 1370, August 16, 10 p. m., from the Ambassador in China, p. 500.

3. I still await further instructions in this matter and will be communicating with Your Excellency again. Meanwhile I should be grateful if the above message could be passed to Generalissimo Chiang Kai-shek.

Believe me, my dear Vice Minister, to be yours sincerely, (signed)  
H. J. Seymour”

HURLEY

740.00119 PW/8-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 19, 1945—6 p. m.

[Received August 19—11:15 a. m.]

1398. British Embassy this morning delivered a further communication to the Chinese Foreign Office at [on] Hong Kong (Embassy's telegram 1396, August 19, 1 a. m.).

Briggs informed by Counselor of British Embassy that this communication reiterates British desire and intention to reoccupy Hong Kong and receive Japanese surrender, but suggests that a representative of the Generalissimo participate in receiving surrender.

With respect to Saigon, British position is that surrender of Commanding Japanese General there be effective with respect to all Japanese armed forces in French Indochina, and that Chinese receive at Hanoi surrender of subordinate Japanese commander covering northern (China Theater) area. Counselor added that Department is being kept fully informed by British Embassy Washington.

HURLEY

740.00119 P. W./8-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 20, 1945—8 a. m.

[Received 9:35 a. m.]

1402. While with the Generalissimo and the Acting Minister of Foreign Affairs at the Generalissimo's place in the country yesterday August 19th, the Acting Minister for Foreign Affairs handed me the following memorandum which he had just received from the British Embassy: <sup>26</sup>

“The text of the memorandum of August 16th <sup>27</sup> which was presented by the Acting Minister for Foreign Affairs to the Counsellor of His

<sup>26</sup> A paraphrase of the instructions upon which this memorandum was based was transmitted to the Department by the British Embassy on August 21.

<sup>27</sup> See telegram No. 1370, August 16, 10 p. m., from the Ambassador in China, p. 500.

Majesty's Embassy was duly communicated to His Majesty's Government in the United Kingdom.

His Majesty's Government have considered this memorandum and regret that they cannot share the Chinese interpretation of the general order issued to the Allied Supreme Commander.

As regards Hong Kong, the general order provides that His Excellency the President of the Republic of China shall accept the surrender of the Japanese Commanders 'within China'. This cannot, in the view of His Majesty's Government, be interpreted as including Hong Kong. As stated in the communication of August 18 from His Majesty's Ambassador to the Acting Minister for Foreign Affairs, His Majesty's Government considers that, irrespective of the confines of an operational theater, wherever a sovereign power has sufficient forces available, it should resume its authority and accept the Japanese surrender in its own territory. Moreover, His Majesty's Government feel confident that, as a soldier himself, His Excellency the President will understand that, as the United Kingdom was forced to relinquish possession of Hong Kong to the Japanese, it is a matter of honor for His Majesty's Government to accept the Japanese surrender there. His Majesty's Government would, however, welcome the presence of a representative of the President in Hong Kong on the occasion of the acceptance by a British force of the Japanese surrender and they trust that this arrangement will prove satisfactory to the Chinese Government.

As regards Saigon, His Majesty's Government wish the Chinese Government to appreciate their standpoint: They consider that the proposals made in the Embassy's memorandum of August 16th accord fully, in fact, with the terms of the general order to the Supreme Commander. In this case also, however, His Majesty's Government would be glad to welcome the presence of a representative of His Excellency the President of China at the surrender ceremony at Saigon."

This is the same message referred to in our 1398, August 19, 6 p. m., the contents of which was related to Briggs by Counsellor of British Embassy.

HURLEY

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740.00119 PW/8-2145: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 21, 1945—8 a. m.

[Received August 21—3: 15 a. m.]

1414. The Generalissimo has asked me to forward through you the following urgent message from the Generalissimo to President Truman:

My Dear Mr. President: On August 20 I received the following memorandum from His Excellency the British Ambassador in Chungking:

His Majesty's Embassy learns that Dr. T. V. Soong has been informed by the United States Secretary of State in Washington of the action contemplated for the recovery of Hong Kong by a British naval force.

'The Embassy has been instructed to inform His Excellency the President of the Republic of China that the British service authorities concerned have been given the appropriate instructions, in order that full military coordination may be effected beforehand with the Chinese High Command on operational matters connected with assistance and support through the Hong Kong area to Chinese and United States forces engaged against the enemy or involved in securing the surrender of Japanese forces in contiguous areas.'

In delivering the memorandum, the British Ambassador informed Dr. K. C. Wu, Vice Minister of Foreign Affairs, that you had wired Prime Minister Attlee<sup>28</sup> that the United States has no objection to the recovery of Hong Kong by a British naval force. The British Ambassador also stated that you had authorized the British to accept surrender of Japanese troops in the 'area' of Hong Kong. We have not heard either from Dr. Soong or from you, Mr. President, any word that affirms or denies the claim made by the British. If you have not sent such a telegram to the British, I would strongly advise against any unilateral alteration of the terms of the Potsdam Declaration and the surrender terms already issued by the Supreme Commander for the Allied Powers. A change now in the surrender order could create a bad precedent that might have more serious consequences in places other than Hong Kong. The British should conform to the general order and refrain from landing troops in Hong Kong or attempting to accept the surrender of Japanese in this theater.

If you have already sent the telegram to Prime Minister Attlee as stated by the British Ambassador, in order to avoid causing you embarrassment, I make the following proposal. The Japanese forces in Hong Kong should surrender to my representative in a ceremony in which both American and British representatives will be invited to participate. After the surrender the British will be authorized by me to land troops for the reoccupation of the island of Hong Kong. The British should not, under any pretext, land any troops on the mainland of China. It is with reluctance that I make the above concession. I hope that Your Excellency will support this position and that you will obtain cooperation in this proposal from the British. I am awaiting your reply before I make definite arrangements with His Majesty's Government.

Chiang Kai-shek by K. C. Wu."

HURLEY

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<sup>28</sup> See White House telegram No. 337 to the Ambassador in China, August 21, *infra*.

740.00119 PW/8-2145 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 21, 1945.

[White House No. 337.] The following message is from the President to Generalissimo Chiang in response to the Generalissimo's message to the President conveyed in your 1414, August 21, 8 a. m. :

"My Dear Generalissimo: I have received your message transmitted by Ambassador Hurley in regard to surrender at Hong Kong. On August 18 I sent the following message to Prime Minister Attlee :

'From the U. S. standpoint there is no objection to the surrender of Hong Kong being accepted by a British officer providing full military coordination is effected beforehand by the British with the Generalissimo on operational matters connected with assistance and support through that area to Chinese and American forces who may still be either engaged against the enemy or involved in securing the surrender of Japanese forces in the hinterland. General MacArthur will be instructed to arrange for the surrender of Hong Kong to the British Commander whenever the above coordination is effected.

The Secretary of State informed T. V. Soong here this morning of this contemplated action stating that it did not in any way represent U. S. views regarding the future status of Hong Kong.'

I had assumed that Premier Soong would inform you of the views expressed in my message to the Prime Minister.

The situation with regard to the Japanese surrender at Hong Kong presents a problem which is to my mind primarily a military matter of an operational character. No question arises with regard to British sovereignty in the area and it is my understanding that you do not desire to raise such a question. It was with these considerations in mind that I prepared the message to Prime Minister Attlee quoted above. It seems reasonable that, where it is practicable to do so, surrender by Japanese forces should be to the authorities of that nation exercising sovereignty in the area. In the case of Hong Kong it appears to me quite practicable to effect military coordination between the British and yourself on operational matters which would make feasible the surrender of the Japanese at Hong Kong to British military authorities.

I sincerely hope, my dear Generalissimo, that you will be able to see this matter in the same light as I do and that, in the spirit of cooperation and understanding which has characterized the relations between our Governments and peoples for so many years, you will see your way clear to authorize the military coordination with the British, which I have recommended, in order that appropriate instructions can be given General MacArthur to arrange for the surrender of Hong Kong to a British Commander.

I fully appreciate the motives which prompted you to make the proposal contained in your message to me but I believe that, taking into account all the factors, the procedure which I have proposed provides a reasonable solution. Harry S. Truman."

[BYRNES]

740.00119 PW/8-2145 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, August 21, 1945—6 p. m.

[Received 6:36 p. m.]

8460. In commenting briefly this morning on that portion of Foreign Minister's speech<sup>29</sup> yesterday which dealt with Far East, Sterndale Bennett<sup>30</sup> stated it had been hoped in beginning that statement concerning Japan could be included but it was finally decided that time was not yet ripe and that such statement would be postponed at least until after final surrender had been signed and MacArthur had arrived in Japan. In this connection reference was made to attitude of Jap Ministers in Bern and Stockholm concerning handing over of Jap Govt property and archives. Sterndale Bennett feels there will probably be no progress in this matter until after MacArthur is in Tokyo and in position to give direct orders to Jap Govt. He is not seriously concerned about the delay for British apparently feel that any important archives have probably already been destroyed.

Sterndale Bennett referred to Foreign Minister's statement regarding Hong Kong and said Foreign Office had been considerably disturbed by publicity given in British press over weekend to alleged rivalry between Chinese and British over who should receive surrender of Hong Kong. According to him, there are naturally practical difficulties in view of fact that nearest troops to Hong Kong are in Chinese theater and therefore under Chiang Kai-shek whereas Hong Kong is under British sovereignty and its surrender should be to the country possessing sovereignty. He said there were no political questions involved at present and he felt that everything would be straightened out without undue difficulty. The general tenor of his remarks taken together with official statement by Foreign Minister makes it apparent that coming into power of the Labor Govt will produce no immediate change in British imperial policy despite such predictions as made in last week's *New Statesman* and reported in Embassy's 8356, August 18.<sup>31</sup>

In discussing British-Chinese relations, Sterndale Bennett referred to invitation which has been issued to T. V. Soong to visit London. He said this was an invitation of long standing, having been originally given at San Francisco, and that Foreign Office hoped very much

<sup>29</sup> For speech made by the British Secretary of State for Foreign Affairs (Bevin) before the House of Commons in London on August 20, 1945, see United Kingdom, *Parliamentary Debates*, House of Commons, 1945-46, 5th series, vol. 413, pp. 283-299; for portion concerning the Far East, see pp. 297-299.

<sup>30</sup> John Cecil Sterndale Bennett, head of the Far Eastern Department of the British Foreign Office.

<sup>31</sup> Not printed.



Soong would be able to come here in near future although no definite plans have yet been made. Sterndale Bennett expressed considerable distress at the internal situation in China although he hoped signing of Russo-Chinese agreement<sup>32</sup> would have salutary effect.

He stressed need of Anglo-American cooperation in China and said "There is an awful mess blowing up there and it is up to us to do what we can to stop it."

WINANT

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Nanking Embassy Files, Lot F-73 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[CHUNGKING, August 23, 1945.]

[CFB 5633.] Dr. Wu, Vice Minister of Foreign Affairs handed me a message from the Generalissimo to the President at 12:30 p. m. Chungking time today. The message is in full as follows:

"My Dear Mr. President: I have received your message transmitted by Ambassador Hurley in regard to the surrender of Hongkong. In compliance with your request and in deference to your suggestions on military coordination between China and Britain on operational matters connected with Hongkong, I have notified the British that as Supreme Commander of this Theater I agree to delegate my authority to a British Commander to accept the surrender of the Japanese Forces in Hongkong. I will also designate a Chinese and an American officer to participate in the acceptance of surrender there and I have asked the British to effect the necessary military coordination on operational matters beforehand with my Chief of Staff, General Wedemeyer, and the Chinese Board of Military Operations. Difficult as it is for me to make these concessions, Mr. President, I have done so out of my great desire to cooperate with you in every way possible. Chiang Kai-shek."

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Nanking Embassy Files, Lot F-73 : Telegram

*President Truman to President Chiang Kai-shek*<sup>33</sup>

[WASHINGTON,] August 23, 1945.

[White House No. 338.] Please accept this expression of my appreciation of your considerate action in regard to the surrender of the Japanese in Hong Kong to a British commander by which action you eased a difficult situation.

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<sup>32</sup> Treaty of Friendship and Alliance Between the Republic of China and the U.S.S.R., August 14, 1945, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

<sup>33</sup> Transmitted to the Ambassador in China for delivery to Generalissimo Chiang Kai-shek.

740.00119 P. W./8-2745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 27, 1945—10 p. m.

[Received August 27—2 p. m.]

1455. The following message from Generalissimo Chiang Kai-shek for the President has just been received from Dr. K. C. Wu, Vice Minister of Foreign Affairs:

“My Dear Mr. President: Out of my great desire to cooperate with you, I informed you on August 23<sup>34</sup> that I had notified the British that as Supreme Commander of this theater I agreed to delegate my authority to a British Commander to accept the surrender of the Japanese forces in Hong Kong. On August 23 I received your most cordial and encouraging reply<sup>35</sup> transmitted by Ambassador Hurley, which is in full as follows:

‘Please accept this expression of my appreciation of your considerate action in regard to the surrender of the Japanese in Hong Kong to a British Commander by which action you eased a difficult situation.’

Today the British Government has addressed the following verbal communication to me through its Ambassador in Chungking:

‘His Majesty’s Government are anxious to reach a mutually satisfactory arrangement. They do not doubt that the Generalissimo will understand their feelings that Great Britain must reestablish *status quo* in Hong Kong after the defeat of Japan. Therefore, they much regret that they are unable to accept the suggestion of the Generalissimo that the officer of the British Forces should accept surrender on this British territory as the Generalissimo’s delegate. They welcome the Chinese representative and also the American officer. Surrender will be accepted by British officer who would be empowered for this purpose under General Order No. 1. The Chinese and American officers designated by the Generalissimo will attend as representatives of the Supreme Commander of the China Theater. On the assumption that there is a surrender document, they would sign as witnesses.’

The British Ambassador further informed me that his Government has designated Rear Admiral C. H. J. Harcourt as the commander to accept the surrender of the Japanese at Hong Kong.

I told the British Ambassador that I could not subscribe to the position taken by the British Government in this matter. The British desire to reestablish *status quo* in Hong Kong has never been affected since from the very beginning I have assured them that it is not the intention of this Government to send Chinese troops to occupy Hong Kong. Hong Kong is not included in the areas to be surrendered to the British, according to General Order No. 1. Hong Kong lies definitely within the China Theater. As Supreme Commander of this theater, I have my duties to fulfill and the agreements with the Allies to observe. I have made the concession to delegate my authority to a British Commander to accept the surrender there purely out of my desire to keep friendly relations with our Allies. And, in making this concession, I have your concurrence and approval.

<sup>34</sup> Telegram No. CFB 5633, August 23, p. 511.

<sup>35</sup> White House telegram No. 338, August 23, *supra*.

To go beyond that on my part would be neither in accordance with the agreements of the Allied Powers nor compatible with my duties as Supreme Commander of this theater.

I have also notified the British Ambassador that since Rear Admiral Harcourt has been nominated by his Government to accept the surrender of the Japanese in Hong Kong, I do delegate my authority to him as from today.

As the American people and you, Mr. President, have always shown the highest regard for fair dealing and scrupulous observance of agreements in international relations, I trust that you will support me in this position and instruct General MacArthur to issue the necessary instructions to Admiral Harcourt."

HURLEY

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740.00119 PW/8-3145 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 31, 1945—8 p. m.

1379. In *Aide-Mémoire* dated August 28<sup>36</sup> French Embassy advanced proposal that Indo-China comprise a single surrender area, the British zone, or, if this is impracticable, that the Japanese Commander in the north of Indo-China surrender to the Chinese in Chinese territory while the surrender of his troops be effected in the hands of the French under the authority of the British command.

In Depts reply dated August 30<sup>36</sup> it was recalled (ReDeptel 1257, August 14<sup>37</sup>) that division of Indo-China was a purely operational matter based on available forces in the area and added that this Government still believes military considerations should prevail. Reply went on to say "Should the French Government be able to reach an understanding on the subject with the British and Chinese Governments it can be assumed that the United States Government would be glad to act accordingly provided General MacArthur perceives no objection to it on military grounds and there is time to give it effect".

Please inform the Chinese authorities and your French and British colleagues of our entire willingness, subject to General MacArthur's concurrence, to approve the French suggestion should agreement thereon be reached between the French and Chinese Governments. (Sent Chungking, rptd to Paris 4130 and London 7500.)

BYRNES

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<sup>36</sup> Not printed.

<sup>37</sup> See footnote 13, p. 499.

740.00119 P. W./9-645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 6, 1945—1 p. m.

[Received 1:07 p. m.]

1532. The proposal outlined in Deptstel 1379, August 31, 8 p. m., has not thus far been raised with the Chinese Government by the French Embassy. Should it be raised, the Chinese Government will state that plans and troop dispositions for the surrender of the China theater sector of French Indo-China, made in full accordance with General Order No. 1, are now so far advanced that it would not be practicable from military point of view to accede to the French request.

General Wedemeyer has expressed to me full concurrence.

HURLEY

## II. PROPOSED JOINT STATEMENT ON CHINA RESPECTING SURRENDER OF JAPANESE TROOPS TO GENERALISSIMO CHIANG KAI-SHEK

740.00119 P. W./8-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 12, 1945.

[Received August 12—8:30 a. m.]

1335. Under date of August 10, 1945, General Chu Teh, Commanding General of the Chinese Communist Forces, caused to be broadcast from his headquarters in Yen-an the following order:

“Japan has surrendered unconditionally. The Allied Nations will meet to discuss the acceptance of her surrender on the basis of the Potsdam Proclamation.<sup>38</sup> I hereby issue the following order to all the armed forces in the liberated areas:

(1) Any anti-Japanese armed force in the liberated areas can, on the basis of the Potsdam Proclamation, deliver an ultimatum to the enemy troops or their headquarters in the nearby cities, towns or communication centers, ordering them to hand out their arms within a certain limit of time. After being thus disarmed, they will be treated according to the regulation governing the preferential treatment of war prisoners and their lives will be protected.

(2) Any anti-Japanese armed force in the liberated areas can deliver an ultimatum to the nearby puppet troops and puppet organizations, ordering them to surrender before the enemy signs his surrender

<sup>38</sup> Proclamation defining terms for Japanese surrender, issued at Potsdam July 26, Department of State *Bulletin*, July 29, 1945, p. 137, and *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1474.

document, and to wait for further orders. If they do not surrender over a certain limit of time, they will be disarmed.

(3) If the enemy or puppet forces refuse to surrender or to be disarmed, the anti-Japanese armed force in the liberated areas should determinedly annihilate them.

(4) Our troops have the right to enter and occupy any city, town or communication center occupied by the enemy or the puppets, carry on military management there to maintain order, and appoint a commissioner to look after the administrative affairs of the locality. Those who oppose or obstruct such actions will be treated as traitors.”

HURLEY

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740.00119 P. W./8-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 12, 1945—2 p. m.

[Received August 12—9 : 30 a. m.]

1336. This order is in open defiance of the National Government of China (re Embassy's telegram 1335, August 12) and is in conflict with the Potsdam Declaration which designates the Governments to which surrender is to be made. We are aware that the United States Government policy in China is opposed to lending any assistance to the National Government in a fratricidal war. The question is, will the United States Government and the United Nations take action toward preventing a fratricidal war in China? (See my telegram No. 1330 of August 11, 4 p. m.<sup>39</sup>)

Soviet's attitude towards support of National Government and unification of armed forces of China well known to Secretary to be favorable, but final terms are still pending in negotiations in Moscow. (A public statement of support by Soviet Government of National Government of China at this juncture could, of course, be most helpful.)

If the United States and the United Nations permit an armed belligerent political party in China to accept surrender of the Japanese and to acquire Japanese arms, a fratricidal war in China will thereby be made certain. I have already suggested that in the terms of surrender Japan be required to surrender all Japanese arms in China including Japanese arms that are in the hands of Japanese soldiers, Chinese puppet troops supporting Japan, and Chinese partisan organizations operating with Japan, to the National Government of China. We have also recommended that the terms of surrender should penalize Japan for any attempt to arm any belligerent forces within China against the National Government.<sup>40</sup>

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<sup>39</sup> *Post*, p. 529.

<sup>40</sup> See telegram No. 1330, August 11, 4 p. m., from the Ambassador in China, p. 529.

For the information of the Department, the Generalissimo<sup>41</sup> is preparing a declaration which will be promulgated as soon as surrender is consummated. This proclamation will assure the Communist armed party that no attack will be made upon it by the troops of the National Government, and no reprisals of any nature conducted against it provided that its troops will surrender their arms. The National Government will further pledge itself to grant immediately a recognition of the Communists as a political party and to give that party and all other political parties in China a legal status. The purpose of the National Government is to unify China and to unify the armed forces of China under the National Government.

General Wedemeyer<sup>42</sup> has shown me his report to the Chief of Staff<sup>43</sup> setting out his opinion of the situation that will prevail if the Japanese are allowed to surrender their arms to the Communist armed party. I concur in General Wedemeyer's report and recommend that the State Department urge that the surrender terms provide that none of the Japanese arms will be surrendered to the Chinese Communist armed party.

HURLEY

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740.00119 P. W./8-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 13, 1945.

[Received August 13—8:50 a. m.]

1339. Reference Embassy's 1335, August 12: Following from Central News, Chungking, is repeated for Department's information.

"On August 11, President Chiang Kai-shek, in the capacity of Generalissimo of the Chinese National Military Council, telegraphed the following order to General Chu Teh and General Peng Teh-huai, Commander and Deputy Commander respectively of the Communist 18th Group Army,

'China, the United States, Great Britain and the Soviet Union are now conferring with each other on the various questions related to Japan's formal offer to surrender with a view to arriving at a joint decision. I have ordered all our troops to stand by for further instructions from the National Military Council and to hold themselves ready to execute such terms of surrender as the Allies will decide upon. The 18th Group Army and its component units are hereby ordered to remain at their present posts and wait for further directions. Units of the 18th Group Army now operating in the various war zones should obey the orders of the war zone commanders. The Government has made thorough provisions for and decided upon ways of disarming the enemy troops, looking after the war prisoners, dealing with the puppet troops, recover-

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<sup>41</sup> President Chiang Kai-shek.

<sup>42</sup> Albert C. Wedemeyer, Commanding General, U. S. Forces in China Theater and concurrently Chief of Staff of China Theater.

<sup>43</sup> Gen. George C. Marshall, U. S. A.

ing lost territory, restoring order and Government administration, etc. To maintain the dignity of Government mandates and to abide faithfully by the decisions of the Allies, all our troops are warned hereby never again to take independent action. Instruct all your subordinates accordingly.' ”

HURLEY

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Moscow Embassy Files, Lot F-96—800 China

*Memorandum by the Second Secretary of Embassy in the Soviet Union (Davies) to the Ambassador in the Soviet Union (Harri-man)*

[Moscow,] August 13, 1945.

Last night I picked up a Chungking broadcast from the CBS correspondent there. He was relaying to New York a summary of latest news from China.

His broadcast was devoted exclusively to the Government-Communist crisis which has apparently arisen.

He said that General Chu Teh, C-in-C<sup>44</sup> of the 18th Group Army (Communist forces), had two days before issued an order to his forces to accept any Japanese surrenders and to occupy Japanese held towns and other establishments.

According to the CBS reporter, Chungking censorship placed a ban on the filing of stories on Chu Teh's order. Yen-an radio, however, broadcast the order, which was picked up in the United States.

Yesterday, the CBS correspondent stated, Chungking lifted the ban when there was published an order issued by the Generalissimo "warning" the Communists that they were to remain in their present positions until further orders were issued from Chungking and declaring that the Japanese would be held responsible for any arms which they might turn over to the Communists. The Communists will not, of course, obey the Generalissimo's order.

In the meantime, the CBS reporter said, there were circulating in Chungking rumors of clashes between Government and Communist troops. This, he said, may be the beginning of civil war or revolution, whatever one may wish to call it.

My comment is that, if the CBS correspondent has reported accurately, civil war is on the verge of breaking out in China, if it has not already done so. And I do not know what we can do to prevent it. The only hope is perhaps one of postponement of civil war. I feel that it is useless to try to persuade the USSR to hold back Yen-an. The Soviet reply would probably be the embarrassing for us retort that the USSR cannot properly interfere in internal Chinese affairs.

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<sup>44</sup> Commander in Chief.

If civil war is to be postponed it will have to be realized through Chiang's voluntarily restraining himself or us exerting pressure on Chiang to hold his hand.

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740.00119 PW/8-1245 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 14, 1945—6 p. m.

1255. We have discussed with the War Department the situation described in your 1336, August 12, 2 p. m. General Wedemeyer is being fully informed of the War Department's decisions and is being appropriately instructed.

BYRNES

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893.00/8-1745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 17, 1945—11 p. m.

[Received August 17—1: 56 p. m.]

1376. One of Communist representatives [in] Chungking handed to an officer of Embassy today a document stated to be "the text of General Chu Teh's representation to the Ambassador of the U. S. to be forwarded to the Government of the United States of America". The text in question is same as set forth in Yen-an broadcast August 16, "item 2 Yen-an August 15" beginning with second paragraph "on the occasion when" and continuing through end of item 2.<sup>45</sup>

HURLEY

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<sup>45</sup> A Federal Communications Commission bulletin, containing General Chu Teh's remarks, as monitored by the FCC, was attached. For full text of the Chinese Communist general's "representation", see telegram from the Commanding General, U. S. Forces in the China Theater (Wedemeyer) to the Secretary of War (Stimson), August 17, *infra*.

The FCC bulletin had a prefatory statement made by the Yen-an radio which said: "Commander in Chief General Chu Teh of liberated China's anti-Japanese army sent a representation to the Ambassadors in China of the United States, the Soviet Union and Great Britain to be forwarded to their respective Governments requesting the right to take over the arms of Japanese and puppet troops and participation in the Allied acceptance of the Japanese surrender. A full text of the representation reads: . . ."



893.00/8-2145 : Telegram

*The Commanding General, United States Forces, China Theater  
(Wedemeyer), to the Chief of Staff (Marshall)*<sup>46</sup>

[CHUNGKING,] 17 August 1945.

Herewith message from Chinese Communists.

"On the occasion when our common enemy the Japanese Government has announced its surrender and accepted the terms of the Potsdam Declaration, I wish to present the following representation to the Governments of the United States of America, United Kingdom of Great Britain, and the Union of Soviet Socialist Republic[s] on behalf of all anti-Japanese Armed Forces and 260,000,000 people in the Chinese liberated areas and Japanese occupied territory in China.

With the war against Japan victoriously concluded we request you to take into consideration the following facts in the China war theater, namely:

That in the vast lost areas abandoned by the Kuomintang Government and occupied by the Japanese and puppets we have, after 8 years of bitter fighting, recovered nearly 1,000,000 square kilometers of territory, liberated more than 100,000,000 people, organized more than 1,000,000 regular troops and over 2,200,000 people militia.

Established 19 major liberated areas in 19 Provinces of China: Liaoning, Jehol, Chahar, Suiyuan, Hopeh, Shansi, Shensi, Kansu, Ninghsia, Honan, Shantung, Kiangsu, Anhwei, Hupeh, Hunan, Kiangsi, Chekiang, Fukien, and Kwangtung.

Except for a few districts the greater part of these areas embraces cities, towns, communication lines, and coast ports in China which were occupied by the Japanese and puppets after the Marco Polo bridge incident in 1937.

In addition we have, in the occupied areas of China having a population of 160,000,000 people, organized huge underground forces to strike the enemy.

In the course of the war 69% of the total Japanese troops invading China excluding those in Manchuria and 95% of the total puppet troops were opposed and encircled by our forces.

The Chinese Kuomintang Government has in the main adopted a policy of watching with folded arms and waiting for victory. The majority of its troops did not fight the Japanese and puppets but were withdrawn to the rear to preserve their fighting strength and prepare for civil war.

The Chinese Kuomintang Government did not recognize or support the Chinese liberated areas and their armies and even surrounded and attacked China's liberated areas with 940,000 of its troops.

Although the Army and people of liberated China tasted to the full the bitterness of being attacked by both Japanese and Chinese reactionary troops on two fronts, our will to uphold the war against

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<sup>46</sup> Forwarded to the Secretary of State at the request of the Joint Chiefs of Staff by the Secretary of the State-War-Navy Coordinating Committee (McCarthy) with his memorandum of August 21, not printed.

Japan had not and our will to fight for unity and democracy has not in the least weakened.

The people of liberated China, and the Chinese Communist Party have repeatedly proposed to the Chinese Kuomintang Government to hold an all parties and groups conference to form a coalition government of national unity so as to stop internal disputes, mobilize and unify all the anti-Japanese Forces of the entire nations, lead the war against Japan to victory and ensure post-war peace.

These were all rejected by the Chinese Kuomintang Government. Now Japan will soon sign her formal surrender. Under such circumstances we have grounds for making the following statement and bringing forward the following demand before your Government and people.

1. The Kuomintang Government of China and its High Command can not (represent) the broad masses and all genuine anti-Japanese People Armed Forces in the Chinese liberated areas and in the Japanese occupied territory to accept the surrender of the Japanese and puppets and to sign any pacts or treaties after their surrender.

We shall reserve the right to voice our opinion in the event that there are clauses in pacts or treaties which have not received our consent and pertain to all genuine anti-Japanese Peoples Armed Forces in the Chinese liberated areas and Japanese occupied territory.

2. All anti-Japanese People Armed Forces in the Chinese liberated areas and Japanese occupied territory under General Yen-an Headquarters have the right to accept the surrender of the Japanese and puppet armies surrounded by them, to take over their arms, material and resources and to be responsible for carrying out all provisions of the Allied terms of surrender in accordance with the terms of the Potsdam Declaration and the measures for acceptance of surrender decided on by the Allies.

3. The broad masses and all anti-Japanese Armed Forces in the Chinese liberated areas and Japanese occupied territory should have the right to send their own representatives to participate in the acceptance of surrender by Japan and in work dealing with Japan after her surrender.

4. The Chinese liberated areas and all their anti-Japanese Armed Forces should have the right to elect their own delegation to participate in the coming Peace Conference dealing with Japan and the United Nations Conference.

5. For the sake of reducing the danger of civil war in China, the Government of the United States of America is requested to stop immediately Lend-Lease to the Kuomintang Government, acting in the common interest of both the Chinese and American. If the Kuomintang Government launches a nationwide civil war against the Chinese people, the danger of such a civil war has now become extremely grave, the American Government is requested not to help the Kuomintang Government.

Signed Chu Teh, Commander in Chief anti-Japanese Forces on [in] the Chinese liberated areas, Yen-an, China, August 16, 1945."

893.00/8-2145

*Memorandum by the Secretary of the State-War-Navy Coordinating Committee (McCarthy) to the Secretary of the Joint Chiefs of Staff (McFarland)*

[WASHINGTON,] 22 August 1945.

1. Reference is made to SM-2964, dated 21 August 1945, to the State-War-Navy Coordinating Committee.<sup>47</sup>

2. By informal action on 22 August 1945, the State-War-Navy Coordinating Committee agreed that the following message, prepared by the Assistant Secretary of State,<sup>48</sup> should be forwarded by General Wedemeyer to Chu Teh, principal Chinese Communist Military Commander, in his discretion and after consultation with the American Ambassador:

"I have received your message of . . . . As you know, I am not only Commander of the American Forces in China, but also Chief of Staff to the Commander in Chief of the Chinese Army. It is my earnest hope in both capacities that we shall enjoy the fullest cooperation of all Chinese in effecting, in accordance with arrangements worked out by the Supreme Allied Commander,<sup>49</sup> the surrender of Japanese forces and their evacuation from Chinese soil. These arrangements, which have been approved by the United Kingdom and the Soviet Union, provide that Generalissimo Chiang Kai-Shek, as Allied Commander in Chief of the China Theater, shall receive the surrender of the Japanese armed forces in China, under the terms of the Potsdam Declaration made jointly by China, the United States and Great Britain and subscribed to by the Soviet Union in its declaration of war on Japan. I have informed my Government of your message and have received its approval for this reply."

3. Consideration is being given to the issuance of a quadripartite declaration designating the commanders to receive local surrenders and defining the areas assigned. It is anticipated that this declaration will be processed for your comment prior to negotiation with other Governments.

For the State-War-Navy Coordinating Committee:  
CHARLES W. MCCARTHY

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<sup>47</sup> Not printed.

<sup>48</sup> James Clement Dunn.

<sup>49</sup> Gen. Douglas MacArthur, U. S. A.

740.00119 PW/8-2345

*The Assistant Secretary of State (Dunn) to the Secretary of State*

[WASHINGTON,] August 23, 1945.

MR. SECRETARY: With regard to the proposed statement on the surrender of the Japanese forces to Chiang Kai-shek, I can now report the following results:

1. The Navy Department concur entirely in the text and form proposed.

2. The War Department, after consultation with the Joint Chiefs of Staff, state their preference for a declaration issued over the names of the four Powers, U. S. A., U. S. S. R., China, and Great Britain. If this form of joint declaration is not followed, the War Department would like to have this United States declaration circulated to the other three Powers in an effort to obtain their agreement to its text.

The War Department feels that some indication of specific agreement on the part of the four Governments to the issuance of this statement is advisable in order to prevent any possible crossing of wires by having the Soviet Government, for instance, either itself or through its press, indicate a lack of enthusiasm or insistence on Chiang Kai-shek's sole acceptance of the surrender of the Japanese forces in China.

In view of the feeling expressed by the War Department and the fact that the War Department is so intimately concerned with the surrender procedure, I am inclined to feel that we should circulate the text of your statement for concurrence by the three Governments. I would prefer this process to an attempt to have each one of the other Governments agree to the text of a joint statement, which process would, I am sure, take much longer. I therefore attach hereto telegrams to our Embassies in London and Moscow<sup>50</sup> to take the matter up with the respective Governments. I assume that you took this matter up this morning with the Chinese Ambassador<sup>51</sup> and that you will hear from him in due course.<sup>52</sup>

JAMES CLEMENT DUNN

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<sup>50</sup> *Infra.*

<sup>51</sup> Wei Tao-ming.

<sup>52</sup> Marginal notation by Walter J. Brown, Special Assistant to the Secretary of State: "J[ames] F. B[yrnes] says OK". Record of conversation between Secretary Byrnes and Chinese Ambassador Wei not found in Department files.

740.00119 PW/8-2345 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom  
(Winant)*<sup>53</sup>

WASHINGTON, August 23, 1945—7 p. m.

7199. Please see the Minister of Foreign Affairs<sup>54</sup> as soon as conveniently possible and give him a message from me along the following lines.

As the procedure for the surrender of the Japanese forces was laid down in General Order No. 1,<sup>55</sup> which was sent by President Truman to the Head of the Government to which you are accredited,<sup>56</sup> and as this procedure contained a specific provision that the Japanese forces in China would surrender to Generalissimo Chiang Kai-shek, this Government thought it would be advisable to have this procedure made public in order to offset any possibility that other elements in China than those of the Chinese National Government might attempt to bring about surrender of the Japanese forces to someone other than Generalissimo Chiang Kai-shek or his duly authorized designate. Having this in mind, I have drawn up the following statement which I would like to make within the next few days. I would be grateful to have any comments you may wish to make with regard to this statement.

“Proposed Statement on China

“As a result of reports from China, public concern is quite understandably being expressed over the threat of civil strife in China between the forces of the Chinese National Government and the Chinese Communist forces, and over the related and critical situation that may develop with regard to the surrender of Japanese forces in China.

“It is a matter of agreement among the Governments of the U. S. S. R., the United Kingdom, China and the United States that Japanese forces in the theater of Generalissimo Chiang Kai-shek’s command shall surrender to Generalissimo Chiang Kai-shek, as Allied Commander-in-Chief in that area, or to his designated representatives. Instructions in that sense have been given to General MacArthur, the Allied Supreme Commander, and Generalissimo Chiang Kai-shek has been informed.

“It has been the consistent policy of the United States Government to encourage internal unity in China for prosecution of the war and

<sup>53</sup> The same on the same date sent as No. 1898 to the Ambassador in the Soviet Union (Harriman).

In telegram No. 3069, August 27, 1 p. m., Ambassador Harriman replied that the Soviet Vice Commissar for Foreign Affairs (Vyshinsky) requested him to inform the Secretary of State that the Soviet Government had no observations to make with respect to the text of the declaration concerning China (740.00119PW/8-2745).

<sup>54</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>55</sup> Dated August 15, p. 530.

<sup>56</sup> Clement R. Attlee, British Prime Minister. Telegram apparently sent by the White House; copy not found in Department files.

to encourage the development of a strong democratic China. This continues to be our policy and we stand ready to assist the Chinese in any way practicable toward a peaceful adjustment of their internal difficulties and the achievement of political unity based on democratic principles. In view of the agreement by the Powers as to the surrender procedure, we do not believe that the issue now being raised by the Chinese Communist forces in regard to the surrender procedure of Japanese forces is conducive to the attainment of these objectives."

BYRNES

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740.00119 PW/8-2445 : Telegram

*The Ambassador in the United Kingdom (Winant) to the  
Secretary of State*

LONDON, August 24, 1945—11 p. m.

[Received 11:40 p. m.]

8665. I was asked by Mr. Bevin to transmit the following message to you: (reference Department's 7199, August 23).

"Please thank Mr. Byrnes for the message embodied in your letter of August 24.

To meet our position I should like to suggest certain amendments in his proposed statement. For convenience I have embodied them in the attached revised version. If that revised version were adopted the statement would be quite agreeable to His Majesty's Government."

Statement follows: First paragraph same as Department's. Second paragraph reads: "It has been laid down in General Order Number 1 to be issued by the Japanese Imperial General Headquarters by direction of General MacArthur as Supreme Commander for the Allied Powers that the Japanese forces within China (excluding Manchuria) shall surrender to Generalissimo Chiang Kai-shek or his representatives".

Third paragraph reads the same as Department's statement until last sentence which in British version reads as follows: "In view of the surrender procedure laid down in General Order Number 1 we do not believe that the issue now being raised by the Chinese Communist forces in regard to the surrender procedure of Japanese forces is conducive to the attainment of these objectives."

You will recognize that the phrase "within China" is to protect British interests in Hong Kong. This does not mean that British are unwilling to discuss the long term future of Hong Kong, although as Bevin said "when your house is swiped and you have contributed to its retaking you have an obligation to your own to reoccupy." In this connection see Embassy's 8571, August 23.<sup>57</sup>

WINANT

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<sup>57</sup> Not printed.

893.00/8-2145

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine)*

[WASHINGTON,] August 28, 1945.

I telephoned Ambassador Wei Tao Ming and said that we think that in view of the publication of the text of the Sino-Soviet treaties<sup>58</sup> there is no longer any need for the issuance of the proposed statement in regard to China and we propose, subject to their concurrence, to inform the British and Soviet Governments to that effect.

He said that he had been talking with Mr. Soong<sup>59</sup> and he fully agrees that there is no longer any need for publication of the statement, especially as Mao Tze-tung, the Communist representative, has now returned to Chungking.

I also telephoned to Mr. Downey, Special Assistant to the Secretary of the Navy, and referred to his memorandum to Mr. Dunn of August 22,<sup>60</sup> and told him of our decision. He said that he thought it very sensible and he felt sure that Secretary Forrestal<sup>60a</sup> would concur.

I also telephoned in the foregoing sense to Colonel Gerhard in the office of Assistant Secretary McCloy.<sup>61</sup>

J[OSEPH] W. B[ALLANTINE]

761.93/8-2845 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom  
(Winant)*<sup>62</sup>

WASHINGTON, August 28, 1945—7 p. m.

7375. As the texts of the Sino-Soviet treaty and accompanying agreements have now been published there would no longer seem to be need for the issuance of the proposed statement on China quoted in my 7199, Aug. 23 to London and 1898 to Moscow.<sup>63</sup> Please so inform Foreign Minister and report his reaction.<sup>64</sup>

BYRNES

<sup>58</sup> Signed at Moscow, August 14, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

<sup>59</sup> T. V. Soong, President of the Chinese Executive Yuan (Premier).

<sup>60</sup> Not printed.

<sup>60a</sup> James Forrestal, Secretary of the Navy.

<sup>61</sup> Col. Harrison A. Gerhardt was Executive Officer in the Office of the Assistant Secretary of War (McCloy).

<sup>62</sup> Repeated on the same date to the Ambassador in the Soviet Union (Harrison) as telegram No. 1921.

<sup>63</sup> Concerning telegram No. 1898, see footnote 53, p. 523.

<sup>64</sup> No record of reply found in Department files.

761.93/9-645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 6, 1945—8 a. m.

[Received 2:10 p. m.]

1528. The suggestion that a statement be made by the Soviet Government demonstrating Soviet support for the National Government of China (ReEmbstel 1336, August 12, 2:00 p. m.) was made at time when the attitude of the Soviet Government toward the National Government of China had not been publicly officially stated. My suggestion was made at a time when it seemed imperative that directives be issued to the Japanese to surrender only to officers designated by the National Government of China. It was made in view of the proclamation, which had just previously been issued by the Chinese Communists, which clearly showed the intention of the Chinese Communists to seek to have the Japanese surrender to the Communists and make available to them large quantities of arms and equipment. The Chinese Communist proclamation was clearly in defiance of the authority of the National Government, as well as contrary to the Potsdam Declaration.

The foregoing very critical situation was fundamentally changed as a result of General MacArthur's General Order Number 1 and of course also by the ratification and promulgation of the Sino-Soviet treaty and annexed exchanges of notes (sent to the Department as No. 1528, September 6, 8:00 a. m., repeated to Moscow).

The publication of these documents has demonstrated conclusively that the Soviet Government supports the National Government of China, and also that the two governments are in agreement regarding Manchuria. Thus the purpose in mind when I sent my telegram 1336 on August 2 [12] has now been achieved.

I do not know what Dr. Soong may have said in Moscow relative to a statement by Russia and China on the open door policy, other than as referred to in Moscow's telegrams 3077 and 3130.<sup>65</sup> Dr. Wang Shih-chieh, Minister for Foreign Affairs, has now left Chungking for London. If it is desired that I approach the Chinese Government in regard to the open door policy I should appreciate receiving instructions indicating the views of the Department.<sup>66</sup>

HURLEY

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<sup>65</sup> Of August 27 and September 1, respectively, pp. 981, 982.

<sup>66</sup> For documentation regarding this subject, see pp. 851 ff.



GENERAL SITUATION IN CHINA FOLLOWING JAPANESE  
SURRENDER: CIVIL STRIFE BETWEEN COMMUNISTS  
AND NATIONAL GOVERNMENT FORCES; CHINESE  
GOVERNMENT REQUESTS FOR AMERICAN AID AND  
ADVICE; USE OF AMERICAN MILITARY FORCES TO  
AID IN EVACUATION OF JAPANESE FROM CHINA

Marshall Mission Files, Lot 54-D270: Telegram

*The Joint Chiefs of Staff to the Commanding General, United States  
Forces, China Theater (Wedemeyer)*

[WASHINGTON,] 10 August 1945.

Warx 47513. 1. *a.* This directive supplements that contained in Warx 51593 of 24 October 1944,<sup>1</sup> and becomes effective at the time the Joint Chiefs of Staff inform you of the capitulation of the Japanese National Government.

*b.* All of its provisions apply only in so far as action in accordance therewith does not prejudice the basic U. S. principle that the United States will not support the Central Government of China in fratricidal war.

*c.* In order that its provisions which concern Pacific Theater Forces may go into effect with complete coordination, you will without delay establish liaison with CinCAFPac and CinCPac.<sup>2</sup>

2. It is not proposed to involve U. S. ground forces in a major land campaign in any part of the China Theater. However, U. S. Pacific theater forces are preparing to secure control of key ports and communication points in the China Theater for the purpose of assisting China Theater forces. Command or operational control of U. S. forces entering the China Theater will pass to ComGenChina<sup>3</sup> in accordance with arrangements to be mutually agreed upon by the commanders concerned. ComGenChina is responsible for coordination with Generalissimo Chiang Kai-shek<sup>4</sup> of the planning and execution of all operations in the China Theater.

<sup>1</sup> *Foreign Relations*, 1944, vol. VI, p. 178.

<sup>2</sup> Commander in Chief, Army Forces in the Pacific, and Commander in Chief, United States Pacific Fleet.

<sup>3</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater, and Chief of Staff to the Supreme Allied Commander of the China Theater.

<sup>4</sup> President of the National Government of the Republic of China and Supreme Allied Commander of the China Theater.

3. In case Japanese forces in China continue resistance after capitulation of the Japanese home government, you will continue your present mission with reference to the Generalissimo and to U. S. forces under your command in the China theater. Your action on Japanese capitulation will be on the basis that military assistance will be continued for the present for the purpose of supporting Chinese military operations essential to the re-occupation by central government forces of all areas in the China theater now held by the Japanese, and the placing of Chinese occupation forces in Japan proper, Formosa, and Korea.

4. Dealings with Chinese forces and Chinese agencies in the China theater, other than those of the Central Government, will be strictly limited to requirements of the military situation. U. S. forces will turn over points in China liberated by them to agencies and forces accredited by the Central Government of China, except for any points such as Hong Kong, of which the status is in question, on which separate instructions will be issued if required.

5. It is desired that in so far as permitted by military considerations the surrender of Japanese forces in China, whether complete or piecemeal, will be to Generalissimo Chiang Kai-shek or his representatives. U. S. Commanders under you may at your discretion and with the approval of the Generalissimo be authorized to accept temporarily for the Generalissimo local surrenders of Japanese forces. The principle will be that Japanese forces in China surrendering to any U. S. commanders will be turned over to the Chinese Central Government subject to the assurance of satisfactory arrangements and treatment on the part of the Chinese. In the event arrangements for either piecemeal or mass capitulation of Japanese in China involves dealings with the Japanese National Government, your channel will be to the Joint Chiefs of Staff on matters of policy and through CinCAFPac on detailed matters.

6. You will assist the Central Government in the rapid transport of Chinese Central Government forces to key areas in China. Other indicated U. S. support of these Chinese forces will be given as now normal to your mission.

7. Plans and preparations will be made on the basis that at least token Chinese forces will be included at an early date in the occupation of Japan proper and in Korea, and that re-occupation of Formosa will be a responsibility of the Chinese Central Government, with minimum U. S. assistance.

740.00119 P. W./8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 11, 1945—4 p. m.

[Received August 11—7:55 a. m.]

1330. After the Generalissimo replied to your message in regard to surrender terms for Japan this morning,<sup>5</sup> together with General Wedemeyer, we discussed with him many other problems involved in the present situation.

What I am about to recite to you is not the result of this morning's conference as that pertained largely to military strategy and will be reported by Wedemeyer to the staff.

During my visit in Washington last April I outlined for President Roosevelt and suggested to Secretary Stettinius what in my opinion would be the major political problem facing the National Government of the Republic of China after V-J Day.

It seems certain that there can be no political unification in China as long as war lords or armed factions are strong enough to defy the National Government.

To meet this situation the terms of surrender with Japan should include a requirement that Japan will be responsible for the surrender of all Japanese arms in China, including Japanese arms that are in the hands of Japanese soldiers, Chinese puppet troops supporting Japan and Chinese partisan armed bands. The terms should penalize Japan for any attempt to arm any belligerent forces within China against the National Government of the Republic of China. We have already had rumors, unconfirmed, of course, that Japan is arming factions that will assure internal strife, if not civil war, in China after V-J Day.

The Generalissimo has mentioned to me frequently President Roosevelt's statement at Cairo<sup>6</sup> to the effect that the United States would equip 90 Chinese divisions. Thirty divisions (X force) to be equipped immediately. Thirty divisions (Y force) as soon as first 30 divisions were completed and finally the arming of 30 additional divisions (Z force) making a total of 90 American armed divisions which would constitute the Chinese peacetime army.

Chiang Kai-shek said Harry Hopkins<sup>7</sup> was present when commitment was made.

This, it is claimed, would enable the National Government of the Republic of China to sustain itself against armed factions in China.

<sup>5</sup> See telegram No. 1325, August 11, 8 a. m., from the Ambassador in China, p. 493.

<sup>6</sup> For the Cairo Conference, November 22-26, 1943, see *Foreign Relations, The Conferences at Cairo and Tehran, 1943*.

<sup>7</sup> Special Assistant to President Roosevelt.

I have told the Generalissimo in positive terms that, so far as I know, all Lend-Lease ends on V-J Day.

I suggest that when Japan surrenders all of her arms in China and, if necessary, some of her arms from the Archipelago be used to equip the Chinese National Army. If the United States decides to continue to furnish Lend-Lease arms to the Chinese Government after V-J Day, some might come from American-owned Lend-Lease equipment now in other foreign theaters.

Please consider the foregoing as suggestions, not as recommendations. I have not made these suggestions to the Generalissimo nor to other officials of the Chinese Government.

HURLEY

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740.00119 FEAC/4-1746

*Directive by President Truman to the Supreme Commander for the Allied Powers in Japan (MacArthur)*

[WASHINGTON, August 15, 1945.]

#### INSTRUMENTS FOR THE SURRENDER OF JAPAN

##### GENERAL ORDER NO. 1

##### MILITARY AND NAVAL

I. The Imperial General Headquarters by direction of the Emperor, and pursuant to the surrender to the Supreme Commander for the Allied Powers of all Japanese armed forces by the Emperor, hereby orders all of its commanders in Japan and abroad to cause the Japanese armed forces and the Japanese-controlled forces under their command to cease hostilities at once, to lay down their arms, to remain in their present locations and to surrender unconditionally to commanders acting on behalf of the United States, the Republic of China, the United Kingdom and the British Empire, and the Union of Soviet Socialist Republics, as indicated hereafter or as may be further directed by the Supreme Commander for the Allied Powers. Immediate contact will be made with the indicated commanders, or their designated representatives, subject to any changes in detail prescribed by the Supreme Commander for the Allied Powers, and their instructions will be completely and immediately carried out.

(a) The senior Japanese commanders and all ground, sea, air and auxiliary forces within China, (excluding Manchuria), Formosa and French Indo-China North of 16 degrees North latitude, shall surrender to Generalissimo Chiang Kai-shek.

(b) The senior Japanese commanders and all ground, sea, air and auxiliary forces within Manchuria, Korea North of 38 degrees North latitude, Karafuto, and the Kurile Islands, shall surrender to the Commander in Chief of Soviet Forces in the Far East.

(c) (1) The senior Japanese commanders and all ground, sea, air, and auxiliary forces within the Andamans, Nicobars, Burma, Thailand, French Indo-China south of 16 degrees north latitude, Malaya, Sumatra, Java, Lesser Sundas (including Bali, Lombok, and Timor), Boeroe, Cerem, Ambon, Kai, Aroe, Tanimbar and islands in the Arafura Sea, Celebes, Halmaheras and Dutch New Guinea shall surrender to the Supreme Allied Commander, Southeast Asia Command.

(2) The senior Japanese commanders and all ground, sea, air and auxiliary forces within Borneo, British New Guinea, Bismarcks and the Solomons shall surrender to the Commander in Chief, Australian Military Forces.

(d) The senior Japanese commanders and all ground, sea, air and auxiliary forces in the Japanese mandated Islands, Bonins, and other Pacific Islands shall surrender to the Commander in Chief, U. S. Pacific Fleet.

(e) The Imperial General Headquarters, its senior commanders, and all ground, sea, air and auxiliary forces in the main islands of Japan, minor islands adjacent thereto, Korea South of 38 degrees North latitude, Ryukus, and the Philippines shall surrender to the Commander in Chief, U. S. Army Forces, Pacific.

(f) The above indicated commanders are the only representatives of the Allied Powers empowered to accept surrender, and all surrenders of Japanese Forces shall be made only to them or to their representatives.

The Japanese Imperial General Headquarters further orders its commanders in Japan and abroad to disarm completely all forces of Japan or under Japanese control wherever they may be situated, and to deliver intact and in safe and good condition all weapons and equipment at such time and at such places as may be prescribed by the Allied commanders indicated above.

Pending further instructions, the Japanese police force in the main islands of Japan will be exempt from this disarmament provision. The police force will remain at their posts and shall be held responsible for the preservation of law and order. The strength of arms of such a police force will be prescribed.

[Here follow Sections II–XIII, dealing exclusively with Japanese aspects of the surrender.]

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893.00/8–2145 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff (Marshall)*<sup>8</sup>

CHUNGKING, 19 August 1945.

1. Analysis of the supplemental China Theater directive contained in Warx 47513 of 10 August<sup>9</sup> and its relation to existing situation

<sup>8</sup> Forwarded to the Secretary of State at the request of the Joint Chiefs of Staff by the Secretary of SWNCC, the State-War-Navy Coordinating Committee, with his memorandum of August 21, not printed.

<sup>9</sup> Telegram of August 10 by the Joint Chiefs of Staff to the Commanding General, United States Forces, China Theater (Wedemeyer), p. 527.

and that which may reasonably be expected to develop in China, are subject. I clearly understand the courses of action required for the accomplishment of my missions as defined in the affirmative provisions of my directive. Cognizant of possible postwar repercussions, I must be certain that the instructions I issue are fully in accord with U. S. policies. I want to do everything within my power to preclude loss of advantages we now enjoy in Far East and to insure that favorable conditions are created for accomplishment of ultimate U. S. political and economic objectives.

2. Reference is made particularly to provisions of subpara 1*b*, Warx 47513 which states that action taken must "Not prejudice the basic U. S. principle that the United States will not support the Central Government of China in fratricidal war". If literally construed and adhered to this stipulation might eliminate support now being given to Generalissimo's forces. Paragraphs four and six of same message which again if literally accepted as well as implication of whole message except subpara 1*b* would require continued support of Chinese Central Government as now normal to my mission.

3. My present mission requires me to assist in the movement of Chinese Central Government divisions, into key areas throughout Japanese-occupied China, to facilitate surrender, repatriation and deportation. Delay in accomplishing this task would introduce increased burdens such as pestilence and unrest.

4. The employment of available U. S. transport aircraft, shipping and motor transport offers the only practicable means of timely dispositions of Central Government forces to areas now occupied by Japanese or to points where Japanese will be concentrated. The more important of the key areas are surrounded or occupied in varying strengths by organized Chinese Communist forces. The Communists have already indicated intention to occupy and control such areas and key points, or to prevent Central Government forces from doing so. There, it must be recognized that the movement of Central Government troops to key areas may be construed as a deceptive maneuver designed primarily to cope with the Communists. Even though the United States is acting in good faith, the inevitable deduction of the Central Government, the Communists and certain elements outside China, will be: Whereas the United States purported intent is to assist the Chinese Central Government in the surrender and repatriation of the Japanese in China, actually in effect and concomitantly we are making an important contribution to preclude successful operations by Communist forces. Note: War correspondents increasing in number, curiosity and persistence are pressing for statement of continued U. S. policy in China pertaining to lend lease and other assistance to Central Government. Obviously they would play up any support of Central Government against Communists.

5. As an example of the problems involved in the fulfillment of my supplemental directive I set forth an imminent situation. The movement by air of two U. S.-sponsored armies into the Nanking-Shanghai area will be initiated within the next few days. U. S. assistance is required to place these Central Government forces in this vital area to open and secure at the earliest possible date the port of Shanghai. Until we have opened this port and secured the area to include Nanking our operations will be severely restricted. When sea communications are established the movement of troops by air and surface throughout China can be expedited. At the present time the strength and capabilities of the Communists in this area are not clarified. Estimates indicate strength of 50,000 to 80,000. Their aggressive intentions have been expressed in recent orders issued by Communist leaders. It is highly probable that within a few days after Central Government forces arrive in the area they will be engaged not only in coping with Japanese situation but also they may be engaged in active combat against the Communists. If I am to carry out the mission of assisting the Chinese in handling Japanese military forces in China, it will be necessary to continue the movement of Central Government forces to this area at a rapid rate. These two armies will have U. S. lend-lease equipment and will have U. S. liaison personnel. Liaison personnel are important to insure efficient movement of Chinese forces and the accomplishment of their assigned task against the Japanese. However, as explained above, in carrying out this part of my mission I may be inadvertently affording direct U. S. assistance to the Central Government in subduing Communist armed forces. We may be confronted with similar situation in many other areas.

6. In the absence of specific guidance I have adopted the following procedures: U. S. liaison personnel have been instructed to withdraw from the vicinity of clashes between Chinese forces as promptly as practicable, using force as necessary for protection of themselves and U. S. property in their possession. They have been directed to report the circumstances at the earliest opportunity whenever clashes occur. I intend to employ U. S. combat air forces or other appropriate means at my disposal to carry out my mission and to protect American lives and property that may be endangered. I consider that my mission requires that I give full support, including extensive air transport lift, to Chinese Central Government forces in carrying out their occupational responsibilities as defined para three above.

7. I have stated action I intend to take in consonance with my interpretation of directive as recently supplemented. I have pointed out that a strictly literal interpretation of paragraph 1b in Warx 47513 would under anticipated conditions abrogate or at least circumscribe to an impractical degree the directions embodied in paragraphs four and six of that message. I believe the above interpretation of my directive

and procedures outlined are sound and feasible under prevailing conditions. Obviously requirement in subparagraph 1*b* of Warx 47513 and the directions in the remainder of the message are incompatible. Further the procedures I have adopted as the practical solution to difficult problem, are in conflict with subparagraph 1*b*. Comments would be appreciated.

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740.00119 P. W./8-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 20, 1945—10 a. m.

[Received 5:35 p. m.]

1407. Following is summary Military Attaché's report for week ending August 18:

As result of Japanese surrender, military situation in China Theater assumed new aspect. With Japanese still in occupation of most of former positions on China mainland at cessation of hostilities, Chinese are faced with important task of clearing Japanese from these large regions. Task should not prove difficult, if Japanese forces in China follow Imperial High Command's orders and willingly surrender. It would constitute, in fact, no more than continuation of trend which for past 3 months has been in effect. There is possibility, however, that these forces, weary after years of war and now confronted with sombre prospect of going back to defeated homeland after having been indoctrinated thoroughly with promises of Asiatic "co-prosperity", might become unruly and pose a problem.

Japanese surrender has also paved way for final settlement between Chinese Communists and Central Government or an outbreak of large scale hostilities between them in competition for regions to be given up by Japanese. Recent proclamations by Generalissimo on behalf of Central Government, and General Chu Teh as Commander of all Chinese Communist forces, indicate that such hostilities are imminent unless a reconciliation can be effected in immediate future. Hostilities in past between Communists and Central Government have been local and have not involved large forces. There are many indications, however, that since end of war in Europe both Communists and Central Government have been maneuvering for favorable position in North China. In order to cope with any developments arising in North China as result of deterioration of Japanese position and to facilitate reestablishment of authority of Central Government, Central Government has established in North China 3 new war zones, 12th, 11th, and 10th, and the "North China Pacification Commission", a new organization to deal with puppet and military leaders. Communists have been moving large forces into various strategic regions



in order to be able to take over from Japanese as they retire and to form a buffer between Central Government and Japanese. Most important instances of this are shifting of New Fourth Army units from Kiangsu south to Chekiang and of Eighth Route Army forces from Shantung to Shansi.

During week Communist forces are reported to have been moving from Yen-an border region toward central and north Shansi and also to Chahar. At same time it has been reported that General Yen Hsi-shan, powerful Central Government military commander of Second War Zone (province of Shansi), is moving, or preparing to move, to capital of Shansi, Taiyuan, which is choice objective of anyone wishing to control this region. There has been increasing friction between Communists and Yen's forces, and probability of serious clash for Taiyuan is in offing.

There are few reports at present of actual Communist-Central Government hostilities resulting directly from Japanese surrender. There are reports of small scale fighting in Lohochai [*sic*] region in central Honan province near Pinghan railroad. Concentrations of Communists for action against forces of Central Government are reported in eastern Hunan, Chekiang and Shantung.

Japanese surrender reports are commencing to be received. Japanese are reported to be leaving Kaifeng area, turning over to Fifth Puppet Army all their installations. Situation in Tsingtao region seems to be complicated, with Japanese offering to surrender to Central Government guerrillas but being prevented from so doing by Communist interference. No reports have been received of any direct surrenders to Communist forces, but this is no indication of what is held in store by future.

HURLEY

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893.00/8-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 20, 1945—4 p. m.

[Received August 20—1: 45 p. m.]

1413. Before noon, August 19 the Generalissimo called me to his residence in the country. Present at the conference were Dr. K. C. Wu, Acting Minister of Foreign Affairs, the Generalissimo's aide, Colonel Pei and myself. Wu translated for the Generalissimo a cable from the Chinese Ambassador Wei at Washington. The Chinese Ambassador outlined at length American post V-J Day<sup>10</sup> policy on Lend-Lease,<sup>11</sup> American post V-J Day policy in regard to all Lend-Lease

<sup>10</sup> September 2, the day Japan signed the surrender.

<sup>11</sup> See White House press release of August 21, Department of State *Bulletin* August 26, 1945, p. 284.

goods now in India and in transit, American post V-J Day policy on UNRRA,<sup>12</sup> the American policy regarding arming Chinese forces post V-J Day, general statements on America's post V-J Day economic assistance to and relations with China. The Generalissimo then asked me if I had been informed of the American post V-J Day policy in China. To this question I answered in the negative. He then asked me if General Wedemeyer, the American Commander in China, had been informed. I told him I had recently talked to General Wedemeyer and that in my opinion he was not informed. Thereupon the Generalissimo sent a message to General Wedemeyer asking that General Wedemeyer and I meet at the Generalissimo's at 8:30 p. m., August 19. We met with the Generalissimo at the appointed time. At this conference present were the Generalissimo, his interpreter, Colonel Pei, his Minister of Economic Affairs, Dr. Wong Wen-hao, his Minister of War, General Chen Cheng, and other members of the Chinese civilian and military staffs. Present also were General Wedemeyer, his interpreter, Captain Eng of the U. S. Army, and myself. The Generalissimo asked me again if I had been informed of the American post V-J Day policies in regard to China to which I again answered in the negative. He then asked the American Commander, General Wedemeyer, if he had received any instructions from his Government on the American post V-J Day economic policies in China. General Wedemeyer answered in the negative. Again the Generalissimo and Dr. Wong Wen-hao informed us [of] America's post V-J policy. The Generalissimo then asked General Wedemeyer to meet with the Minister of War, General Chen, on the morning of August 20 to make plans for the administration of the American post V-J policy. The Generalissimo requested me to meet with Minister Wong Wen-hao who would inform me fully on the American policy and with whom I could discuss the details. Up to that time neither the American military establishment nor the American Embassy had any word whatever in regard to the American policy on the various subjects above indicated for post V-J. At 11 a. m. today, through the courtesy of the FEA representatives here, we were shown circular No. 18<sup>13</sup> from Crowley,<sup>14</sup> FEA, signed by Byrnes, sent through Army radio and delivered to FEA this morning. The message stated in part: "Policy decisions regarding our post-war activities and particularly Lend-Lease are now being determined". Telegram No. 1275, August 18, 3 p. m.,<sup>15</sup> from FEA, Harding Ray, was received at Embassy at noon Sunday, August 19, but due to pressure of work in the code room it was not possible to completely decode until this

<sup>12</sup> United Nations Relief and Rehabilitation Administration.

<sup>13</sup> Circular telegram of August 18, not printed.

<sup>14</sup> Leo T. Crowley, Administrator of the Foreign Economic Administration.

<sup>15</sup> Not printed.

morning, August 20. While this information from FEA, reaching us some 44 hours after the Chinese had obtained theirs, gives an indication concerning "tentative general Lend-Lease termination", the message does not say as the Chinese message said, that extra appropriations will be made for UNRRA and that UNRRA supplies will supplement or take place of civilian Lend-Lease supplies. It does say that "final official policy will follow later by cable". The message closes with information on personnel and replacements.

We are sending the foregoing factual statement to the Department with the feeling there is a possibility that the Chinese Ambassador in Washington may not have given a correct report of America's post V-J Day policies for China. At the same time we feel that we should say to the Department that usually this Embassy receives first information of American changes in policy and economic commitments to China from sources other than the State Department.

HURLEY

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711.94114A/8-2245 : Telegram

*The Minister in Switzerland (Harrison) to the Secretary of State*

BERN, August 22, 1945—2 p. m.

[Received 2:41 p. m.]

3957. FonOff official telephoned following telegram from Fontanel [at] Shanghai <sup>15a</sup> (your 2565, August 20 <sup>16</sup>).

Arrival Mission <sup>17</sup> created sensation and great excitement Shanghai. Fontanel forced take steps protect Consulate General's gates against mob. Uneasiness prevails in case occupation by Chinese rather than AM (Allied Military) troops. Conflict feared with Communist elements already seeping into Shanghai. Chinese believed incapable maintaining order (repeated Chungking) without presence AM (Allied Military) or British contingents. Trouble not excluded.

HARRISON

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711.93114A/8-2445 : Telegram

*The Minister in Switzerland (Harrison) to the Secretary of State*

BERN, August 24, 1945—11 a. m.

[Received August 24—9:26 a. m.]

3986. Following telegram from Fontanel. Same official telephones (Legation's 3957, August 22).

1. Confirms fear conflict in absence American Forces.

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<sup>15a</sup> Emile Fontanel, Swiss Consul General at Shanghai.

<sup>16</sup> Vol. VI, p. 395.

<sup>17</sup> Military Relief Mission.

2. Has received reports confirming uneasiness Shanghai. States even small American Force would be sufficient maintain order threatened (repeated Chungking) by native political elements and Communists.

HARRISON

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893.24/8-2545

*Memorandum of Conversation, by the Chief of the Division of Lend-Lease and Surplus War Property Affairs (Fetter)*

[WASHINGTON,] August 25, 1945.

Colonel McCormack called at his request late Saturday afternoon to discuss a proposed telegram to General Wedemeyer on lend-lease assistance to China following the formal surrender of Japan. The War Department recently sent a directive to General Wedemeyer pointing out that the continued resistance of Japanese forces in China following the formal surrender of Japan might call for continued military assistance to the Chinese. The proposed cable to General Wedemeyer instructed him until further notice not to "change military lend-lease to China". I suggested to Colonel McCormack that this apparently instructed General Wedemeyer to make no change in lend-lease policy, and pointed out in view of the danger of civil war in China and the possible criticism that would be directed against our lend-lease policy if civil war should break out, the desirability of making clear in the telegram that the continuation of lend-lease was to be based upon the necessity of bringing about an early surrender of Japanese forces in the China theater. I suggested that the instruction on lend-lease be changed to read that General Wedemeyer make no change in military lend-lease to China that would "reduce the capacity of the Chinese central government to complete expeditiously the surrender of all Japanese forces in the China theater." Colonel McCormack made this change in the draft.

Colonel McCormack said that he would probably submit this draft telegram to Judge Patterson <sup>18</sup> on Monday, August 27, and that Judge Patterson might well call one of the higher political officers in the Department in regard to the matter.

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893.30 Missions/8-2745

*The Secretary of the Navy (Forrestal) to the Secretary of State*

WASHINGTON, 27 August 1945.

DEAR MR. SECRETARY: Herewith enclosed is a copy of a letter handed me today by Mr. T. V. Soong, President of the Executive Yuan of the National Government of the Republic of China.

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<sup>18</sup> Robert P. Patterson, Secretary of War.

On 24 August I sent to the President proposed enabling legislation for assisting the Chinese Government to create a post-war Navy and for a United States Naval Mission to guide it. The enclosed letter constitutes a formal request for this assistance from the Chinese.

Sincerely yours,

JAMES FORRESTAL

[Enclosure]

*The President of the Chinese Executive Yuan (Soong) to the Secretary of the Navy (Forrestal)*

WASHINGTON, 27 August 1945.

DEAR MR. SECRETARY: I am asked by President Chiang Kai-shek to request the United States Government to dispatch as soon as possible a Naval Mission to China for the purpose of assisting her in planning and organizing her naval forces.

In this connection, if the request proves acceptable to the United States Government, I am asked to draw the attention of yourself and Fleet Admiral E. J. King to the really outstanding work of Rear Admiral Milton E. Miles, Captain J. C. Metzler, and Captain I. F. Beyerly in the Friendship Project in China,<sup>19</sup> and to express the hope that these capable and tried officers be included in the Naval Mission.

Thanking you for your kind attention [etc.],

T. V. SOONG

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711.93114A/8-2945 : Telegram

*The Minister in Switzerland (Harrison) to the Secretary of State*

BERN, August 29, 1945—5 p. m.  
[Received August 29—4: 59 p. m.]

4023. Foreign Office official urgently telephones following message to Commanding General (Legation's 3986, Aug. 24), China Theater, Chungking, from Military Relief Mission, Shanghai:

"Political and military situation at Shanghai deteriorating. Request that Allied troops take over from Japanese as else civil strife feared. City was surrounded today by Communist forces who are determined to fight if forces of Central Government take over. Following Japanese withdrawals and closing of industries there are many out of work and labor unrest. As soon as facilities for additional planes can be arranged representatives of Americans, British, Dutch,

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<sup>19</sup> Sino-American Special Technical Cooperation under the U. S. Naval Group in China.

Belgians should be sent. Request clarification of status. Can we use these men and French for policing in case of emergency?"

Official states in view ambiguity last sentence clarification (repeated Chungking) being requested.

HARRISON

711.93/8-2945

*Memorandum of Conversation, by the Assistant Secretary of State  
(Dunn)*

[WASHINGTON,] August 29, 1945.

Conversation between the President and Madame Chiang Kai-shek, in the Executive Office, Wednesday, August 29, 1945, 11:30 a. m. Present also were James Clement Dunn, Assistant Secretary of State, and L. K. Kung.<sup>20</sup>

After the usual exchange of friendly greetings between the President and Madame Chiang Kai-shek, Madame Chiang Kai-shek complimented the President on the results of the Stalin-Soong conversations<sup>21</sup> and expressed thanks to the United States Government for the assistance which had been given to the Chinese in working out these agreements. The President stated that that was one of his principal objectives in going to Potsdam, that he felt very strongly that China should be supported in working out the arrangements which had been initiated by President Roosevelt.

Madame Chiang Kai-shek expressed her gratification that United States Forces were occupying the lower half of Korea and asked whether any further agreements had been made with regard to the future of Korea. The President said that nothing further had been done than the conversations which took place at Cairo, which, according to the President's understanding, provided for a trusteeship for Korea in the near future with the United States, China, the Soviet Union, and Great Britain acting as trustees. Madame Chiang said that she did not recall that Great Britain had been included among the trustees. The President said that according to his recollection the four countries had been mentioned as trustees.

Madame Chiang then asked whether any decisions had been made with regard to the future of Indo China. The President replied that no decisions had been made with regard to Indo China, that in his discussions with General de Gaulle<sup>22</sup> a few days ago he had received satisfactory response from the General when he gave us his opinion that Indo China should receive its independence and that steps should

<sup>20</sup> Nephew of Madame Chiang, son of H. H. Kung.

<sup>21</sup> For documentation on this subject, see pp. 851 ff.

<sup>22</sup> General Charles de Gaulle, Head of Provisional French Government.

be taken immediately with a view to arriving at that state. Madame Chiang recalled that President Roosevelt had spoken of a trusteeship for Indo China, whereupon the President stated that there had been no discussion of a trusteeship for Indo China as far as he was concerned.

Madame Chiang asked about the future status of India. The President said that he had had no discussion with anyone on the matter of India, whereupon Madame Chiang recalled that Mr. Churchill "saw red" whenever the subject of India was brought up. The President laughed and said that Mr. Churchill was still "seeing red" on the subject. The President further said that he did not anticipate that there would be any great alteration in the Labor Government's attitude and policy toward India, but he thought the new Government would very likely not be as stiff and rigid about it as the Churchill Government. The President said he had great hopes that a solution would be found for this problem as a result of close study and careful consideration.

Madame Chiang Kai-shek at this point recalled conversations she had had with President Roosevelt on the general problem of reconstruction of China, and asked whether the President had knowledge of Mr. Roosevelt's intentions along those lines. The President said he was very familiar with the problem, that President Roosevelt had talked to him about it many times, and that the President said that he himself felt strongly that solutions for this problem could be arrived at which would satisfactorily advance the interest of China and of Asia. Madame Chiang asked whether he had any specific ideas on the subject, whereupon the President said that he had not been able to get any further on the matter in view of the very many pressing problems he had, but he felt that a study would be given immediately to the question, and he had no doubt that a proper basis would be found for dealing with the problem and getting on with the work of reconstruction. Madame Chiang said that this whole field of reconstruction should interest the United States and Americans generally, as, to her mind, the essence of difficulty in China was to improve the masses on a consumer level, at the same time providing for some facilities for production within the country.

Madame Chiang presented to the President a very fine photographic portrait of Generalissimo Chiang Kai-shek and read to the President the inscription, which was "To a great President and a great friend." The President was most appreciative of this gift and told Madame Chiang Kai-shek immediately that he would take steps to have his photograph in return prepared for her to carry to the Generalissimo.

Madame Chiang asked whether there was any special message President Truman wished to send to her husband as she was leaving that

afternoon for China. The President said there was one message he would ask her good office in conveyance to the Generalissimo, and that was that he hoped they could both meet to sit down and talk many of these problems over together across the table. Madame Chiang replied that was exactly the message her husband had given her for President Truman and she sincerely hoped that such would soon be possible.

JAMES CLEMENT DUNN

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893.00/8-3045 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 30, 1945—8 p. m.

1370. Dept is concerned about political and military situation in Shanghai which according to telegram No. 4023 dated August 29 from Bern is deteriorating. According to Bern military relief mission Shanghai informed Commanding General Chungking that Allied troops rather than Central Government troops should take over Shanghai from Japs if civil strife is to be avoided.

Dept wishes to be kept informed of developments and would appreciate your and General Wedemeyer's comments.<sup>23</sup>

BYRNES

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893.00/8-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 31, 1945—9 a. m.

[Received August 31—6:15 a. m.]

1480. Mao Tze-tung, Chairman of the Chinese Communist Party, and General Wedemeyer and members of his staff, have just concluded a conference in the American Ambassador's home in regard to the killing of the American Captain J. M. Birch, Allied Commission, on August 29, allegedly by Communist troops at the railway station of Suchow, sometimes known as Tungshan, approximately 100 miles from the seacoast. I was present at the conference.

Mao Tze-tung said he had no information on the subject but if clash had taken place he hastened to apologize and to assure General Wedemeyer that the Communist Party High Command had taken precautions to avoid clashes between Americans and Communists. Wedemeyer insisted that the Communist High Command had not indicated a desire to prevent such clashes. He called attention to the

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<sup>23</sup> Marginal notation: "Cleared with G-1, War Department, which consulted with Joint Chiefs representative."



fact that four American OSS officers had landed by parachute in a Communist area last May; that they had been captured and disarmed by the Communists and held as prisoners of war and that Mao Tze-tung had not replied to Wedemeyer's letter or dispatches relative to that incident. Mao claimed he did not receive any letters or dispatches from Wedemeyer and that the four officers would, if they were still in custody, be immediately released and that he had told the Commander of the American Observer Group at Yen-an sometime ago that the officers would be returned to Chungking if Wedemeyer would send a plane to transport them.

Wedemeyer was direct and firm. He insisted that America had not participated in politics in China; that Americans were here as soldiers and as the friends of China and that the killing of an American officer by Communists would be deeply resented by Americans both here and in America. Wedemeyer will report the incident to the War Department and you may obtain his full report from the Secretary of War.

Mao Tze-tung of the Chinese Communist Party said he would institute an immediate investigation of the matter, that if an American was killed by Communist troops he apologized and said he would see that those who were guilty were punished.

HURLEY

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893.00/8-3145: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 31, 1945—5 p. m.

[Received August 31—9:50 a. m.]

1489. General Wedemeyer has no confirmation of alarmist report (Reurtel 1370, August 30, 6 [8] p.m.) concerning situation in Shanghai. He has representatives in Shanghai and one of our Assistant Military Attachés left for that city today. Wedemeyer is making every effort to ascertain the fact, which will immediately be reported to the Department. (As the Department is aware from recent telegrams, the British, French, Dutch et cetera have been making every effort to persuade Wedemeyer to transport their representatives to Shanghai, and the message from Bern to which Dept refers sounds as if it might be inspired by those interests.)

Wedemeyer has just received a message in similarly alarmist vein from Mountbatten<sup>24</sup> relative to alleged Annamite agitation and preparations for disorder in that area. Mountbatten implied readiness to take over sections within China Theater.

HURLEY

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<sup>24</sup> Adm. Lord Louis Mountbatten, Supreme Allied Commander, Southeast Asia.

124.936/8-3145

*The Ambassador in China (Hurley) to the Secretary of State*

[Extract]

No. 671

CHUNGKING, August 31, 1945.

[Received September 14.]

SIR: I have the honor to transmit the minutes of the thirty-ninth weekly meeting of representatives of United States Government agencies in Chungking held at the Chancery at 10 o'clock on August 28, 1945. The Minister-Counselor of Economic Affairs, Mr. Walter S. Robertson, presided, and the Assistant Commercial Attaché, Mr. M. H. Walker, acted as secretary.

General Ray T. Maddocks, Chief of Staff to General Wedemeyer, attended this meeting and described for the group the present military situation. He stated that the surrender of Japanese troops in China will not take place until after the formal capitulation to General MacArthur in Japan, which is expected to occur on September 2. Also he pointed out that the surrender of Japanese troops in China would be to the representative of the Generalissimo as the Commander-in-Chief in this theater. He stated that General Ho Ying-chin<sup>25</sup> and General McClure<sup>26</sup> are now in Chihkiang where discussions have been going forward with the representative of the Japanese commander in Central China.

On August 26 a detachment of Chinese troops went into the city of Nanking. After receiving their report on conditions there, the United States Army on August 27 sent in advanced details to assure that airfields were in condition to receive transport planes, and to install equipment and aids to navigation. A detachment of Chinese will shortly enter Shanghai, General Maddocks stated, to be similarly followed by advanced details of American forces. One Chinese army will be flown to Nanking and another will be flown to Shanghai. This movement of troops will start about September 1, but it will probably take 45 days and even longer if planes have to be diverted to other purposes than moving troops.

United States forces are working with the Chinese Army helping them to draw up plans and to move as promptly as possible to insure the maintenance of order in large coastal cities. Once they arrive in such places as Shanghai and Nanking, the Chinese will be in charge. It was expected that Chinese forces will also be moved to Formosa, Indo-China, and later to Manchuria. It was stated that requests have been received to move 15 Chinese armies. Some of these can be moved by ship, although General Maddocks indicated that a great

<sup>25</sup> Commander in Chief of Chinese Army and Chief of Chinese General Staff.

<sup>26</sup> Maj. Gen. Robert B. McClure, in charge of Chinese Combat Command.

shortage in shipping exists, and the number of vessels which will be available is not presently known.

General Maddocks was not sure when the American headquarters would be moved to Shanghai. Advanced details are expected to go in about the 10th of September to prepare billets and facilities. It is hoped to have the headquarters moved by the first of October. He expected that the heavy equipment from army headquarters in Chungking would be moved by chartered boats on the Yangtze. A base section will be retained at Kunming for some time to come to wind up affairs there.

Anticipating the question as to how soon other United States representatives and agencies can move to the coast, General Maddocks emphasized that military considerations must be put first. A stable situation must exist before transport planes can be allowed to go in. The overall picture, he reported, is coming along very well. The steps which lie ahead are (1) the formal surrender in Japan to General MacArthur; (2) the formal surrender of all the Japanese commanders in the China Theater, which includes Japan's commanders in China, Formosa, northern Indo-China, and those of air and naval as well as of army forces; and (3) the surrender of local garrisons in each of the various war zones. When these steps have been taken, there will still remain the problem of getting the one million or so Japanese in China back to Japan. General Maddocks said that it was proposed to use captured shipping to the maximum extent possible for the task.

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For the Ambassador:  
WALTER S. ROBERTSON

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740.00119 P. W./9-145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 1, 1945—8 a. m.

[Received September 1—2:30 a. m.]

1492. The following message is from Generalissimo Chiang Kai-shek for President Truman.

“The United States Fleet and United States Forces are welcome at any port in China. The British Fleet and British Forces and other imperialist forces are not welcome in China. I respectfully request that if and when the American Fleet enters any China port it will not be accompanied by any British ships or contingent.”

HURLEY

740.00119 P. W./9-145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 1, 1945—9 a. m.

[Received September 1—2:40 a. m.]

1493. The Generalissimo told me yesterday that the imperialist governments France, Britain, the Netherlands, are endeavoring to create a situation, especially in Shanghai and Peking, that will give them an excuse for landing imperialist forces in China. He said that the pretext the British have given him is that they wish to land troops to protect the people of the cities from the Communists (re your telegram 1370, August 30, 8 p. m., and Embassy's telegram 1489, August 31, 5 p. m.). He is of the opinion, however, that the imperialists are actually cooperating with the Communists. He said the United States and the Soviet are cooperating with the National Government of China.

HURLEY

893.20 Mission/9-145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 1, 1945—10 a. m.

[Received September 1—2:35 a. m.]

1494. For the Secretary and the President. Last night Generalissimo Chiang Kai-shek advised me that it is indicated that the United States will send a military mission (the Generalissimo would rather call it a Military Advisory Board) to China. He respectfully suggests that when such a mission or board is created that General Wedemeyer be made Chief of the Mission or Board. He earnestly desires the continuance of Wedemeyer's services in China. He stated that because of Wedemeyer's understanding of the military situation in China and his understanding of the Chinese people and Government, his services would be of great value in continuing the splendid relations that now exist between the United States and China.

HURLEY

893.20 Mission/9-245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 2, 1945—1 p. m.

[Received September 2—12:05 p. m.]

1505. For the President.<sup>27</sup> After conferences with General Wedemeyer and the Generalissimo I thought it proper to supplement my

<sup>27</sup> Copy transmitted to President Truman by Secretary of State Byrnes with his memorandum of September 3, not printed.

former wire referring to my telegram No. 1494, September 1, 10 a. m., by a more definite outline of the functions of the American military mission to China as envisioned by both the Generalissimo and Wedemeyer:

1. Title—The Generalissimo desires that the mission be termed American Military Advisory Group rather than the American Military Mission.

2. Duration—The Generalissimo would like to arrange for the retention of the mission in China initially for a period of 5 years, at the end of which United States and Chinese Governments would consider its continuation in consonance with requirements of the situation.

3. Function—To assist and advise Chinese Government in the creation of modern military forces, including air, ground and naval. The Generalissimo states categorically that he desires to adopt American equipment, tactics and techniques as well as organization throughout Chinese Army. He does not visualize large military forces but wants them to be comparable to the best.

4. Organization—*a.* American military advisory group commander and headquarters with administrative and strategic planning groups.

*b.* Ground force section which would assist in training, organizing, instructing and development of equipment for all ground units.

*c.* Air section which would assist in training, organizing, instructing and development of equipment for all air units.

*d.* Naval section which would assist in training, organizing, instructing and development of equipment for all naval units.

*e.* Logistical section which will assist and advise in the organization, training and equipping of supply, transportation and technical development activities for all three above sections.

As stated in my cable above referred to, the Generalissimo respectfully and earnestly requested the appointment of General Wedemeyer as head of the mission or group. If such a mission or group is instituted, I also recommend the appointment of Wedemeyer as its chief officer.

HURLEY

893.20 Mission/9-245

*Memorandum by the Secretary of State to President Truman*

WASHINGTON, September 3, 1945.

Re: Chinese Matters Arising Out of Conversations With T. V. Soong

1. *Military Mission.*

Chiang desires a military mission to be known as American Military Advisory Group to assist and advise the Chinese Government in the creation of modern military forces. The Generalissimo would like to arrange for the retention of the mission in China initially for a period of five years and would like to have General Wedemeyer appointed as its head. I recommend that as far as possible we en-

deavor to meet Chiang's wishes because it is obviously to our advantage to have the Chinese look to us for military advice.

It is not possible, however, under existing legislation for us to send such a mission for a definite five year period. Under section 524 of Title 10 of the United States Code we can make such detail outside of the American continent only "during war or a declared national emergency." As the war and the national emergency are not in a legal sense terminated, the mission could be sent out now. It should be possible to secure the necessary legislation for the continuance of the mission before the present war and national emergency are legally terminated.

## 2. *Lend-Lease Military Equipment.*

T. V. Soong inquires whether we are prepared to complete our commitment to equip 100 Chinese divisions? This commitment is said to have been made to Chiang by President Roosevelt at Cairo. The commitment apparently is not in writing. Mr. Hopkins affirms that some such commitment was made at Cairo when action in the Chinese theatre was agreed upon, and apparently after Teheran, Chiang, who was disturbed by the postponement at Teheran of the action planned for the Chinese theatre, was assured that the commitment would be kept. The form of the commitment apparently was vague and loose. While no one anticipated the Japanese war would end so quickly, it is hard to believe that the parties believed the commitment to be wholly independent of the Japanese war. Certainly both Roosevelt and Chiang must have been thinking of Chinese troops to fight the Japs. And it is difficult to treat our Chinese commitments different from other commitments under the Lend-Lease Act.<sup>28</sup>

So far as I can ascertain about 30 divisions have already been equipped under our commitment to Chiang. Soong speaks of 60 additional divisions to be equipped.

Under a proposed directive from you to the Joint Chiefs of Staff<sup>29</sup> which either is now or shortly will be brought before you, military assistance would be continued for the present at the discretion of the Joint Chiefs for the purpose of supporting Chinese military operations essential to the reoccupation of the Chinese areas of occupation. Under such a directive a certain amount of equipment would be furnished to China.

But no other additional new equipment could be delivered unless credits for the Chinese could be arranged and this would present considerable difficulty.

<sup>28</sup> Approved March 11, 1941; 55 Stat. 31.

<sup>29</sup> See circular telegram of September 13, 5 p. m., to the Ambassador in China, p. 558.

It should, however, be possible for us to make liberal arrangements through the Army and Navy Liquidation Commissioner<sup>30</sup> for the delivery to the Chinese of equipment declared surplus in India and other areas in the Far East. Surrendered Japanese arms could also be available to the Chinese through the Army.

JAMES F. BYRNES

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893.00/9-445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 4, 1945—8 a. m.

[Received September 5—2:18 p. m.]

1514. Following is summary of Military Attaché's report for week ending September 1:

Aggressive activity by Chinese Communists continued throughout China despite present visit to Chungking of Communist leader, Mao Tse-tung, to arrange reconciliation with National Government. Most of reports regarding this Communist activity are from Central Government sources and may be somewhat exaggerated. However, although details may not be true, reports contain indications of geographical strategy of Communists bearing out possibilities of future operations if no agreement between Communists and Central Government is reached. Most important developments to date have taken place in following four general areas in Eastern and Northern China:

It is natural that important Communist activities should occur in Shensi-Shansi region, Communist stronghold. During past 2 weeks, heavy fighting has taken place between Communists and Central Government troops east of the Yellow River. Second War Zone forces are in Taiyuan, Shansi capital, but Communists are harrasing their positions throughout Shansi. Most bitter fighting has occurred at Fenyang, 75 miles southwest of Taiyuan, where both sides sustained severe casualties. Whole province may become embroiled in serious civil war, if these hostilities continue without decision.

Reports regarding Chahar-Suiyuan-Hopei region have been difficult to confirm. Several important places on Peking-Paotow Railroad, including Kalgan and Kueisui, are said to be in hands of Communist Eighth Route Army. This seems to be an attempt by Communists to prevent Central Government forces from entering Peking from 12th War Zone in west. Communist strength in this area cannot be accurately determined, but, according to recent reports, strong forces from Eighth Route Army have been entering the area. Nearness of this area to Manchuria and its strategic situation separating rest of China from Manchuria, would warrant large-scale activity for control.

Throughout province of Shantung, Communist forces are strongly entrenched. [In Tsinan], Tsingtao and Weihsien regions, situation is developing rapidly. Communists are estimated to be able to muster

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<sup>30</sup> Maj. Gen. Donald H. Connolly, Foreign Liquidation Commissioner.

50,000 troops in Tsingtao region and approximately 25,000 in each of other two regions. Central Government-Communist hostilities near Tsingtao have been in progress since Jap surrender, but so far neither side has been able to gain sufficient control to take over from Jap garrisons.

Communists' New Fourth Army units which have been moving into Chekiang province from northern Kiangsu and Anhwei, and toward Yangtze River, are said to be concentrated in Nanking, Hangchow and Wuhu triangle. There are reported to be about 50,000 fairly equipped troops ready for attacks in future against Nanking and Wuhu. Ten thousand Communists are reported waiting further east in Ningpo region for Japs to evacuate in order to take over. Important Central Government forces of Third War Zone have been moving, however, into north Chekiang, and there are great possibilities of large-scale fighting for control of Hangchow region.

In south and central China, Communist activity has been principally by guerrillas who have been attempting to seize equipment and arms from both Central Government and Japs, and also have been operating against railways. (*End of Summary.*)

Embassy believes that Military Attaché's report conveys an impression of civil war more serious than evidence warrants. Sources on which report was based may have been interested, for their own purposes, in spreading a picture of widespread civil strife and, as I have previously pointed out, events seem to be bringing about a solution of China's internal political difficulties, and even now the Generalissimo and Mao Tse-tung are engaged in conversations, with considerable prospects of success, looking to an agreement between the Government and the Communists.

HURLEY

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983.20 Mission/9-245

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] September 6, 1945.

Drumright<sup>31</sup> told me this morning of your conversation with him last evening regarding an American military mission to China.

You have probably seen Chungking's 1505 (Top Secret and Eyes Alone for the President) in regard to this subject. I have not been informed of any work that Ben Cohen<sup>32</sup> has been doing on this matter. In the Far East Committee of SWNCC<sup>33</sup> there is now a paper in process of preparation in regard to military materials and aid to China for building up an army, and this paper will also go into the matter of an American military mission.

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<sup>31</sup> Everett F. Drumright, Assistant Chief of the Division of Chinese Affairs.

<sup>32</sup> Counselor of the Department of State.

<sup>33</sup> State-War-Navy Coordinating Committee.



While I perceive no objection to American military personnel forming an "advisory group" (this is the terminology preferred by Chiang Kai-shek), I do think it would be ill-advised to have American Army officers on the active list forming the group or for it to have any official connection with our Government. Therefore, I believe that any officers making up the group should be placed on the reserve or inactive list of the Army, that they should receive their compensation from the Chinese Government, and that it should be clearly understood that the group is a Chinese organization having no official connection with this Government. I think also that we should discourage the formation of a large or extensive (in the sense of having an American personnel attached to individual Chinese Army units) group. In the past, American Army officers (Chennault<sup>34</sup> and Jouett<sup>35</sup>) have given up their Army commissions when taking advisory positions with the Chinese Government. It is my understanding also that the German military mission which was in China prior to the war was also made up of German officers on the retired or inactive list.

I should like very much to talk with you about this matter as soon as you can find time.

J[OHN] C[ARTER] V[INCENT]

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893.20 Mission/9-745

*Memorandum of Conversation, by the Acting Secretary of State*

[WASHINGTON,] September 7, 1945.

Participants: The President;  
 Dr. T. V. Soong;  
 Acting Secretary, Mr. Acheson

At eleven o'clock this morning, at the President's request, I was present when he received Dr. T. V. Soong. The President stated that he had been giving very considerable thought to the communications from the Generalissimo relative to the furnishing of a military advisory group of American military, naval and air personnel and to the arming of additional Chinese divisions. The President stated further that he had asked the State, War and Navy Committees to study these matters and to make recommendations to him. They had done considerable work on this and were still doing so. He said that he could say categorically to Dr. Soong that personnel could and would be furnished to advise on these military matters. He said that a careful search of the records had been made and had not disclosed

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<sup>34</sup> Maj. Gen. Claire L. Chennault.

<sup>35</sup> Col. John H. Jouett.

anything relative to the commitment to which the Generalissimo referred as having been made at the Cairo meeting.

Dr. Soong interrupted the President to ask whether he had consulted Mr. Harry Hopkins. The President said that he had talked with Mr. Hopkins and would talk with him again. The President added that, with the cessation of hostilities, his powers in certain respects had changed and that he had to consider the views of the Congress in this matter.

Dr. Soong asked the President when he expected a report from the State, War and Navy Departments, because Dr. Soong would defer his departure until he had an opportunity to talk with the President further about the matter. The President said that he expected that the matter would be expedited and that he would have a recommendation shortly. Dr. Soong spoke of the high regard which the Generalissimo had for General Wedemeyer and his hope that he might head such an advisory group. The President thought that this would be done. I suggested that the President might wish the Committee to give careful consideration to the question of whether it would be more desirable to release officers at the request of the Chinese Government for appointments to be made by the Chinese Government to the advisory mission to be responsible to the Chinese Government rather than to have this Government tender a mission organized and appointed by it to China. Both the President and Dr. Soong thought that this suggestion was worthy of careful exploration, the President stating that our people throughout would like to be helpful to China and avoid creating suspicions or difficulties elsewhere.

Dr. Soong thanked the President and, as he was leaving, stated that he was having a meeting with Mr. Crowley this afternoon at two o'clock on economic aid for China. He asked the President to speak to Mr. Crowley and express his sympathetic interest in the matter. The President said that he would try to do this.

DEAN ACHESON

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740.0011 PW/9-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 9, 1945— 10 a. m.

[Received 1:53 p. m.]

1561. Summary Military Attaché's report week ending September 8 follows:

Attempt by Chinese Communists to gain control important points in east and north China made no progress during week. Chief activity occurred Shantung-Hopei region where it seemed Japanese would take active measures to ensure control by Central Government over all important regions. In Weihsien and Tsingtao areas Central Government

commanders were stated to be getting Japanese reinforcements as was also puppet garrison in Tsinan. Indications were that for present at least Communists were giving up original plans and instead would move strong forces northward to assist other Communists in obtaining control Tientsin–Peiping region. Such a move appears unlikely at this time, however, because of difficulties placed upon Communists' movement by strict Japanese control of communication lines. Furthermore, even if Communists succeeded in getting to northern Hopei, intervention by Japanese similar to their present actions in Shantung would stop any Communist occupation of cities there.

While not successful in more important objectives, Communists did succeed in extending control over large areas in Shantung, Hopei and northern Kiangsu, taking number of country cities. It is not easy to determine what success Communists will have in future control of these areas, because contemplated Central Government troop regiment [*movement?*] by air to eastern and northern China to take over from Japs would be serious, if not final, blow to Communist strategy. Communists have already lost Yangtze Valley with important cities of Hankow, Nanking, Shanghai and Wuhu and Central Government Forces are gradually being sent in, now by air, but shortly by land, as Japs retire. If plans for transportation Central Government Forces are successful, east and north China north of Yangtze River will soon also be taken over. Therefore only really doubtful areas remaining are northwest provinces of Shansi, Suiyuan, Shensi and Chahar, and also Manchuria. Reports from Yenan indicate that Communist "Government" is preparing to move to northeast, possibly to Kalgan, Chahar capital, which was recently taken by Communists, and has good radio station. This, if true, would perhaps indicate effort to occupy approaches to Manchuria where Central Government is weakest. This has considerable significance with relation as [*to?*] control over Manchuria, but it is too soon to speculate on outcome or discuss [*implications?*] which may be possible but concerning which no indications are available (*End Summary*).

HURLEY

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893.20 Mission/9-1045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 10, 1945—8 p. m.

[Received September 10—7:10 a. m.]

1562. The following message for the President has just been received from Generalissimo Chiang Kai-shek:

"To His Excellency, the President of the United States of America :  
Since the conclusion of hostilities and the total surrender of Japan, in my opinion there is an ever-growing need for close military collab-

oration between China and the United States in the maintenance of stability in the Far East. In order that China would have the opportunity to reorganize her defensive military machine, I am of the opinion that an American military advisory board in China should be set up. General Wedemeyer would be an eminent choice to head such a board, for his comprehensive understanding of China's military situation and his cooperative spirit have won the confidence and esteem of my Government and people.

I would deem it highly gratifying, Mr. President, if you would appoint General Wedemeyer to this post. Chiang Kai-shek, Generalissimo, Military Council of the National Government of the Republic of China."

HURLEY

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893.20 Mission/9-1045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 11, 1945—8 p. m.

1434. Replying to your 1562, September 10, 8 p. m., the President is agreeable in principle to the establishment of a Military Mission in China.

He has directed that General Wedemeyer and Rear Admiral Miles<sup>36</sup> will collaborate in the submission of proposals to the Joint Chiefs of Staff.

For the information of General Wedemeyer and Admiral Miles, the State-War-Navy Coordinating Committee, at the President's direction, is preparing recommendations on this matter.

ACHESON

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893.50/9-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 11, 1945—9 p. m.

[Received September 11—6:45 p. m.]

1567. Jacobson<sup>37</sup> of the American Production Mission informs me he has communicated with Locke<sup>38</sup> urging that top level U. S. Government and businessmen give immediate consideration to the problems of getting Japanese technicians quickly out of industrial and other establishments in Formosa and Manchuria and of facilitating Chinese economic restoration and development. He suggested [*to?*] Locke that consideration be given to specific plans for handling these problems and to discussing them with Soong in the United States.

<sup>36</sup> Milton Edward Miles, U. S. N., Commander, U. S. Naval Group, China.

<sup>37</sup> James A. Jacobson.

<sup>38</sup> Edwin A. Locke, Personal Representative of President Truman in charge of the American Production Mission in China.

I should like to point out that Jacobson made this recommendation upon his own initiative after attending a meeting called at the suggestion of General Olmsted<sup>39</sup> to consider the possibility of a Civilian Economic Mission to China to parallel the proposed Military Mission to China. This meeting which was purely exploratory in character was attended by representatives of the Embassy, G-5, FEA and the American Production Mission. After short discussion it soon developed that the question of a Civilian Economic Mission involved basic military, political and economic policies and that no action should be taken without mature deliberation on the part of all concerned. (It is estimated that there are some 18,000 Japanese technicians employed in Formosa alone. There are also large numbers employed in the railways and other industries in Manchuria.)

It was the consensus of opinion of those present that a later meeting should be held at which would be considered briefs prepared by the Embassy, the American Production Mission and the Military, setting forth their respective views in regard to the situation so that if a recommendation was made to Washington it would represent the considered opinion of the various groups interested in the problem. Jacobson fully concurred in the procedure recommended. In our opinion it would be most unfortunate if this question should be raised with Soong until there has been further clarification of the questions involved. I suggest that Locke be informed of these circumstances.

HURLEY

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Nanking Embassy Files, Lot F-73 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>40</sup>

[CHUNGKING,] September 11, 1945.

On his return from China, in the summer of 1944, Vice President Wallace<sup>41</sup> advised President Roosevelt that, in his opinion, the National Government of the Republic of China would soon collapse. Subsequently, two United States Senators who had visited China (Brewster<sup>42</sup> and Chandler<sup>43</sup>) predicted that nothing short of a miracle would prevent the collapse of the Government of China. These opinions were quite generally held by American and Chinese civil and military officials. It was with a full realization of this situation that

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<sup>39</sup> Brig. Gen. George Olmsted, Assistant Chief of Staff, G-5, U.S. Army Headquarters in China.

<sup>40</sup> This telegram apparently not sent through Department of State channels and neither recorded nor filed in regular Department files.

<sup>41</sup> For documentation on the Wallace Mission, see *Foreign Relations*, 1944, vol. VI, pp. 216 ff.

<sup>42</sup> Owen Brewster, Republican, Maine.

<sup>43</sup> Albert B. Chandler, Democrat, Kentucky.

President Roosevelt sent me to China as his personal representative.<sup>44</sup> President Roosevelt's directives to me were principally as follows: (1) prevent the collapse of the National Government of China; (2) keep the Chinese armies in the war; (3) harmonize the relations between the Chinese and American military establishments; (4) unify the anti-Japanese forces of China. All of these objectives, except number 4, were accomplished. We succeeded in eliminating some of the frictions between the armed partisans of China. There were a number of other directives. It may be broadly stated, however, that during the war the objectives of the American policy in China were military. Even economic directives had military objectives.

The United States had, however, diplomatic and economic long-range policies for China. The objectives of these were to support the aspirations of the Chinese people for the establishment of a free, united, democratic government in China. By direction of President Roosevelt I conferred with Prime Minister Churchill<sup>45</sup> in London and Marshal Stalin<sup>46</sup> in Moscow last April. All the problems, both military and civil, pertaining to China were discussed with Churchill and Stalin. It is sufficient to say here that both Great Britain and Russia publicly endorsed the American policy for the support of a free, united, democratic government in China.<sup>47</sup>

The fundamental issue in Asia today is between democracy and imperialism; between free enterprise and monopoly. The American delegation at San Francisco last May voted with Great Britain and France against China and Russia on the question of colonial independence. Then came the reversal of the Roosevelt Atlantic Charter<sup>48</sup> policy on Indo-China and, perhaps, Hong Kong. All of these actions have probably been exaggerated but the fact remains that an opinion is steadily growing in Asia that America is supporting the imperialisms of Britain, France and the Netherlands as against democracy. It is being stated that the imperial nations favor sustaining Japan as the dominating regulatory force in Asia. On first hand information I am convinced that all of the imperial nations represented in China are supporting a policy intended to keep China divided against herself. President Roosevelt definitely stated when I last talked with

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<sup>44</sup> For documentation on the Hurley Mission, see *Foreign Relations*, 1944, vol. VI, pp. 247 ff.

<sup>45</sup> Winston S. Churchill, British Prime Minister.

<sup>46</sup> Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

<sup>47</sup> See telegram dated April 14 from the Ambassador in China (Hurley), apparently from Tehran, p. 329, and telegram No. 1212, April 17, 7 p. m., from the Chargé in the Soviet Union (Kennan), p. 338.

<sup>48</sup> Joint Declaration by President Roosevelt and British Prime Minister Churchill on August 14, 1941, Department of State *Bulletin*, August 16, 1941, p. 125, or 55 Stat. (pt. 2) 1603.

him that the United States favored the sustaining of the Republic of China as a free, united, democratic government and as the strongest stabilizing factor in Asia. It was on this premise that I conducted my conferences with Churchill and Stalin and obtained their support for the American policy. All of this is in the record.

Perhaps the Government has decided not to continue what President Roosevelt outlined as the long-range policy of the United States in regard to China. Whether this is true or not there seems a definite trend in American policy toward the support of imperialism rather than democracy in Asia. I would like to have an opportunity to discuss the American-Asiatic policy with you, Sir, and the President.

General Wedemeyer is arranging to go to Washington. He is preparing to leave here approximately September 19th. He has invited me to ride with him. I respectfully request permission to go to Washington with General Wedemeyer.

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893.20 Mission/9-1045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 13, 1945—11 a. m.

1444. Please deliver to Chiang Kai-shek the following message responsive to your 1562, September 10, 8 p. m.:

Generalissimo Chiang Kai-shek, Military Council of the National Government of the Republic of China: I have received your message in regard to an American military advisory board in China. I discussed this matter with Premier Soong on September 7 and assured him that American military personnel could and would be furnished in an advisory capacity. I informed him that the form and extent in which such personnel might be available was now being given consideration by officials of the American Government, and in this connection told him that I considered worthy of careful exploration the thought that it might be more desirable to release officers from active duty at the request of the Chinese Government for appointment by the Chinese Government rather than for this Government to organize and appoint such a group.

I appreciate your estimate of General Wedemeyer and have taken note of your desire that he head a military advisory group to China.

Please be assured, my dear Generalissimo, that I am most anxious to be helpful to China in all appropriate and practicable ways. Harry S. Truman.

ACHESON

800.24/9-1345 : Circular telegram

*The Acting Secretary of State to Certain Diplomatic Officers* <sup>48a</sup>

WASHINGTON, September 13, 1945-5 p. m.

The following JCS memorandum <sup>49</sup> "Military Lend-Lease Policy After Unconditional Surrender or Defeat of Japan" was approved by the President on Sept. 5.

"Upon my announcement of the surrender of Japan, the issue to Allied Governments of Lend-Lease munitions and the provision of Lend-Lease services, procured and sponsored by the War and Navy Departments, will stop, except for assistance to Allied forces engaged against Japanese forces which have not surrendered.

No exceptions to the above shall be made other than in certain unavoidable cases where the abrupt cessation of aid would cause undue hardships. This aid shall not include arms or ammunition and shall cease immediately when arrangements for provision other than by Lend-Lease can be made, and in no case shall it extend beyond 6 months from the effective date of this instrument.

The above policy may be given the following interpretation:

*a.* Allied forces necessary to reduce any Japanese resistance continuing after capitulation of the Japanese home government may be furnished such aid as the Joint Chiefs of Staff consider justified.

*b.* Aid may be furnished to Allied forces in the form of rations, shelter, medical supplies and services, petroleum products, fuel and transportation services where these cannot be reasonably furnished by the foreign government concerned, and where denial would work immediate hardship on Allied forces, or on U. S. forces which are dependent upon continued support by elements of Allied forces. Such aid is considered as a liquidating measure and will be reduced and finally eliminated at the earliest date practicable and in no case will it be extended beyond six months from the effective date of this instrument.

*c.* Aid may be furnished to supply maintenance items for U. S. equipment now in the possession of Allied forces against payment upon such terms and conditions as determined by the State Department and Foreign Economic Administration in accordance with established procedure. Such aid will be reduced and finally eliminated at the earliest date practicable and in no case will it be extended beyond 6 months from the effective date of this instrument.

*d.* Maintenance, repair, training, transportation and other services already undertaken may be continued to the nearest practicable stopping point as determined by the senior U. S. commander in overseas theaters and by the Secretaries of War and the Navy for all other projects sponsored by the War and Navy Departments respectively.

*e.* Lend-Lease to China will be in accordance with the recent direc-

<sup>48a</sup> The diplomatic officers at Chungking, London, Paris, New Delhi, The Hague, Canberra, Moscow.

<sup>49</sup> Joint Chiefs of Staff 771/18, September 5.



tive to the Commanding General, U. S. Forces, China Theater,<sup>50</sup> which includes provision that:<sup>51</sup>

‘ . . . the United States will not support the Central Government of China in fratricidal war.

‘ In case Japanese forces in China continue resistance after capitulation of the Japanese home government, you will continue your present mission with reference to the Generalissimo and to U. S. forces under your command in the China Theater. Your action on Japanese capitulation will be on the basis that military assistance will be continued for the present for the purpose of supporting Chinese military operations essential to the reoccupation by Central Government forces of all areas in the China Theater now held by the Japanese, and the placing of Chinese occupation forces in Japan proper, Formosa, and Korea.’ ”

You are authorized at your discretion to communicate the above to the government to which you are accredited.

ACHESON

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740.00119 P. W./9-1345

*Memorandum by the Acting Secretary of State to President Truman* <sup>52</sup>

[WASHINGTON,] September 13, 1945.

Subject: Military Equipment and Advice for China.

The Secretary of War <sup>53</sup> and Secretary of the Navy are in agreement with me that we should furnish assistance to China in the development of armed forces for the maintenance of internal peace and security, and the assumption of adequate control over the liberated areas of China, including Manchuria, and Formosa. We consider that, under suitable arrangements, the provision of such assistance is justified in furthering the interests of the United States. The arrangements for provision of such assistance should include payment, in one way or another, by the Chinese for supplies furnished and services rendered. Furthermore, in handling this matter, it is important to have in mind that it is not the intention of the United States to furnish military equipment to China for use in fratricidal war or for the support by force of undemocratic administration.

It will be necessary to obtain the advice of the Joint Chiefs of Staff to determine the exact amount of assistance which is justified, providing supplies and equipment are available and suitable arrangements

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<sup>50</sup> See Warx 47513, August 10, from the Joint Chiefs of Staff, paragraphs 1 *b*. and 3, p. 527.

<sup>51</sup> Omissions indicated in the original.

<sup>52</sup> A note of September 17 from the Secretaries of the State-War-Navy Coordinating Committee, enclosing a copy of the memorandum and its annex, circulated for the information and guidance of the Committee, stated that the suggested oral statement to Dr. Soong had been agreed on by the Committee at their 24th meeting. (SWNCC 83/3.)

<sup>53</sup> Henry L. Stimson.

are made between the United States and Chinese Governments. The present feeling is that China should not attempt to maintain a great peacetime army or air force but that a relatively small, well-trained and well-equipped army with adequate means of transportation and a small efficient air force would best meet her needs. The determination of the amount of assistance to the Chinese will have to take into account other important uses for surplus U. S. supplies and equipment, including the merits of disposing of some surplus supplies and equipment to the French and to South American countries, particularly in connection with acquisition of military base rights and implementation of the Act of Chapultepec.<sup>54</sup> In this connection, the War and Navy Departments will not complete for several weeks the determination of supplies and equipment which are surplus to their needs. Another important point is the types of equipment and supplies which should be furnished the Chinese. Detailed studies may show that the best plan is to leave to the Chinese the provision of that military equipment which they are capable of producing and to confine U. S. contribution in great part to those items, particularly special and heavier equipment, for which production the Chinese cannot reasonably be expected to provide in the near future.

The Chinese Government may be assured at this time, if the President so desires, that, subject to suitable arrangements as to payment for provision of equipment, the 39-division program will be completed. After consulting General Wedemeyer further and when the problem has been considered by the various U. S. agencies concerned and we have completed our determination of availability of equipment, we will be in a position to determine what assistance beyond the 39-division program, if any, will be feasible. It is also practicable to assure the Chinese that, subject to suitable arrangements, certain naval craft, particularly those suitable for coastal and river operations, can be turned over to them. As for the Chinese air force, a plan has been presented by General Wedemeyer to the Joint Chiefs of Staff. General Wedemeyer has been asked for his views on the revisions in this plan made necessary by the end of hostilities. The Chinese can be assured that, subject to suitable arrangements, the United States will provide equipment and supplies for a Chinese air force of a size and composition to be determined on completion of a detailed plan.

On the matter of a U. S. advisory mission, it is understood that the President has already agreed in principle to such an establishment. The exact size, composition and functions of a mission will be dependent on its status and character and on the size and composition of the Chinese armed forces which the United States determines it is justified

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<sup>54</sup> Signed March 8, 1945, Department of State Treaties and Other International Acts Series 1543, or 60 Stat. (pt. 2) 1831.

in supporting, and will also be dependent on detailed arrangements which can best be worked out by the Generalissimo with General Wedemeyer and Admiral Miles who will receive guidance from U. S. authorities in this matter. As to the status and character of the mission, it might be more desirable to relieve officers from active duty for appointment by the Chinese Government than for this Government to organize and appoint such a group.

A U. S. advisory mission composed of officers on active duty can only be established under the emergency powers of the President. Consequently legislation would be required to continue the mission after the expiration of these powers.

The Generalissimo has asked that General Wedemeyer head the mission. It is recommended that no commitment be made at this time and the President await recommendation on this matter from the Joint Chiefs of Staff. If the question is raised, the President can assure Dr. T. V. Soong that he will communicate further on the matter of the head of the mission at an early date.

The substance of a statement which can be made orally at this time to Dr. Soong is attached in case the President desires to use it. Dr. Soong has deferred his departure for Chungking pending reply on this matter. He is anxious to leave Washington this weekend.

DEAN ACHESON

[Annex]

SUGGESTED ORAL STATEMENT TO DR. SOONG CONCERNING ASSISTANCE TO CHINA<sup>55</sup>

The United States is prepared to assist China in the development of armed forces of moderate size for the maintenance of internal peace and security and the assumption of adequate control over the liberated areas of China, including Manchuria, and Formosa. The arrangements for the provision of such assistance should include the method of discharge by the Chinese Government of the financial obligations incurred in connection with the supplies furnished and services rendered by the United States.

Having in mind statements by the Generalissimo that China's internal political difficulties will be settled by political methods, it should be clearly understood that military assistance furnished by the United States would not be diverted for use in fratricidal warfare or to support undemocratic administration.

The exact amount of assistance which can be provided by the United States will need to be agreed between the U. S. and Chinese Governments and will depend on a detailed study by the Chinese and U. S. military authorities. It appears practicable at this time, subject to

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<sup>55</sup> On September 14 President Truman made this oral statement to Dr. Soong.

suitable mutual arrangements concerned with the provisions of equipment and supplies to complete the 39-division program, to furnish certain naval craft, particularly those suitable for coastal and river operations, and to equip an air force of commensurate size. After consulting General Wedemeyer further and when the problem has been considered by the Joint Chiefs of Staff and other U. S. agencies concerned and we have completed our determination of availability of equipment, we will be in a position to determine what assistance, if any, beyond the 39-division program will be feasible.

The exact size, composition and functions of an advisory mission will be dependent upon the status and character of the mission and on the size and composition of the Chinese armed forces which may be agreed between the U. S. and Chinese Governments. As to the status and character of the mission, it might be more desirable to relieve officers from active duty for appointment by the Chinese Government than for this Government to organize and appoint such a group.

A U. S. advisory mission composed of officers on active duty can only be established under the emergency powers of the President. Consequently legislation would be required to continue the mission after the expiration of these powers.

It is suggested that Generalissimo Chiang Kai-shek immediately formulate a plan, in collaboration with General Wedemeyer, for the post-war Chinese armed forces and an estimate of U. S. assistance desired, and indicate to this Government his views as to the financial and other governmental arrangements which must be made.

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893.50/9-1445 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 14, 1945—8 p. m.

1465. Problem raised in your 1567, September 11 has been discussed with Locke who has not taken up matter with Soong or other Chinese officials.

Dept and Locke concur in view that it would seem premature to attempt to reach decision now regarding disposition of Jap technicians in Manchuria, Formosa and elsewhere in China which in any event would appear to be one largely for determination by Chinese Government.

Dept would, however, welcome thorough study of question by Embassy and other interested Govt agencies with view to submission of recommendations to Dept.

ACHESON

740.00119 PW/9-1545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 15, 1945—9 a. m.

[Received September 16—9:28 p. m.]

1595. Summary of Military Attaché's report for week ending September 15 follows:

Japanese surrenders taking place according to plan and Chinese Government troops rapidly taking over. Chinese Government commanders have set up headquarters in Nanking, Shanghai, Canton, Peiping and Hankow. Troops being flown steadily to Nanking and Shanghai from whence they will be flown to Tientsin and Peiping as soon as replacements arrive by land. Hunan and most of Hupeh now under control Central Government; many [cities of?] Kiangsu, Honan also reoccupied. Forces under command Ho Ying-chin readily taking over Kwangtung and northern Indochina; expected that occupation southern China will not be difficult as Communist and Japanese control weakest there. Situation Indochina may develop unsatisfactorily, however, from Central Government viewpoint as reports received of increasing Annamese hostility in opposition to outside influence.

In northern Kiangsu Communist activity increasing; this follows Communist failure to gain control more important towns Shantung. Considerable Communist activity northern Shansi and Hopei. Large Communist forces moving northwest from Yen-an have reportedly reached Hopei, obviously with control Tientsin, Peiping in mind; Communist forces have failed in negotiations with Japanese commanders for surrender. Situation central Shansi remains tense; Communists slowly consolidating large area around Taiyuan and Fenyang; Central Government sources admit situation is serious. Communist strength in Nanking area, south of Yangtze, slowly increasing; no hostilities so far, and doubtful whether Communists will attempt operations in view movement [bring?] Central Government forces into Nanking. Slight show of Communist strength around Shanghai; no regulars reported, but several thousand civilians, mostly factory workers, propagandized and armed to some extent.

Situation Sinkiang<sup>56</sup> once again serious and Moslem element resuming campaign to eliminate Chinese authorities from province. Chinese rapidly evacuating western and northern Sinkiang, preparing to concentrate around Tihwa. Road to Kashgar cut, separating southwest provinces from Chinese forces. No indication yet who is responsible for present hostilities. Current campaign comes at time when Sino-Soviet relations outwardly at best. Soviets have agreed not to interfere internal affairs Sinkiang and difficult to appraise their role.

<sup>56</sup> For further documentation on this subject, see pp. 985 ff.

Should be borne in mind, however, that relations between Kazakhs both sides of border have always been close and probable that Soviet Kazakhs influencing their Sinkiang brothers as in past. Chinese position Sinkiang always shaky, and now that question of Outer Mongolia has come into open, it is possible that Sinkiang Moslems who comprise over nine-tenths population, may attempt to gain similar recognition. Central Government considers situation serious enough to send General Chang Chih-chung, trusted advisor to Gimo,<sup>57</sup> to Tihwa for special investigation.

HURLEY

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123 Hurley, Patrick J.

*President Chiang Kai-shek to President Truman*<sup>58</sup>

CHUNGKING, September 17, 1945.

MY DEAR MR. PRESIDENT: Upon the return visit of General Hurley, I take great pleasure in sending you, through him, personal greetings.

The relationship between China and America has ever been one of mutual friendship and sympathy, but since the appointment of General Hurley to China as Ambassador, the traditional friendship between our two countries has become even more closely cemented. During his tenure of office, General Hurley's wise statesmanship and human qualities have won the respect and affection of the Chinese people who see in him a fitting symbol of America's foreign policy of fair play and justice.

I have talked with General Hurley at length and with perfect frankness regarding the policy of my Government on various questions, and have asked him to acquaint you, Mr. President, with the various aspects which have a bearing on the implementation of continued close collaboration between China and America in the maintenance of peace and order in the Far East.

I am looking forward to General Hurley's return to China as America's representative for I feel certain that he represents your great country as well as yourself.

I wish to thank you, Mr. President, for the many evidences of interest you have taken in my country, and for the help you have so generously given to Dr. Soong in his recent negotiations with Your Excellency's Government.

With kindest regards [etc.]

CHIANG KAI-SHEK

<sup>57</sup> Generalissimo Chiang Kai-shek.

<sup>58</sup> Copy of letter transmitted through Ambassador Hurley to President Truman. The Ambassador left Chungking on September 22 for Washington.

Marshall Mission Files, Lot 54-D270 : Telegram

*The Joint Chiefs of Staff to the Commanding General, United States Forces, China Theater (Wedemeyer)*<sup>58a</sup>

[WASHINGTON,] 18 September 1945.

Warx 66085. It is U. S. policy to assist the Chinese Government in the establishment of essential Chinese troops in liberated areas, particularly Manchuria, as rapidly as practicable.

Movement of Chinese Forces will be executed, in so far as practicable, in general conformity with the schedule indicated in Wedemeyer's CFBX 8412 dated 17 September 1945,<sup>59</sup> utilizing for this purpose shipping now under your control. To effect this movement, maximum use will be made of shipping unsuitable for trans-Pacific use.

Request you report to the Joint Chiefs of Staff, with information copy to CinCAFPac, the action you take to move Chinese Forces in compliance with this directive.

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740.00119 PW/9-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 20, 1945—9 a. m.

[Received September 20—1 : 55 a. m.]

1629. The following *aide-mémoire* was handed to me today by the Generalissimo with the request that I transmit it to the President :

*"Aide-Mémoire*

Recent reports appearing in the press indicate that the United States Government is establishing a Political Advisory Board for General MacArthur to assist in determining United States policy in the Far East. Mr. George Atcheson,<sup>60</sup> Mr. John Service,<sup>61</sup> among others, were included in the Advisory Group. Press dispatches state that this Advisory Group would come to Chungking.

I feel very reluctant in presenting the following information for the consideration of your Government because I understand fully that the United States Government has every right to assign State Department officials to appropriate duties and pacts [*places?*] and without comment from any Allied Government. The following statements I will request your Government to accept in the friendly and cooperative spirit which have actuated my every thought and action in dealing with the United States Government.

Mr. Atcheson and Mr. Service are generally accepted in China as men of strong convictions that a coalition between the Communist and

<sup>58a</sup> Sent also to Fleet Admiral Nimitz.

<sup>59</sup> Not found in Department files.

<sup>60</sup> U. S. Acting Political Adviser to the Supreme Commander for Allied Powers (SCAP) in Japan.

<sup>61</sup> Of the Office of the U. S. Acting Political Adviser to SCAP.

Kuomintang Parties should be arbitrarily imposed. They both have expressed views that are definitely unfriendly to the Central Government of China and clearly reveal their support of the policies of the Communist Party.

As your Government knows, very important conferences are now being held in Chungking with Mr. Mao Tse-tung and other Communist leaders. We are striving sincerely to reach an equitable and reasonable arrangement and to ameliorate conflicting views. These conferences have been in progress the past 3 weeks. Recently there has occurred a notable change in the attitude of the Communist leaders and they are reliably reported to now represent the view that prominent Americans will soon come to China with the mission of firmly supporting the Communist Party. The Communists are now placing great stress upon this fact. They know that Mr. Acheson and Mr. Service are sympathetic and they interpret the above referred to appointments as indicative of the change in the United States policy towards China.

There have been so many manifestations on the part of the President and the Government of the United States of their kindly and realistic approach in assisting China in the stupendous problem of rehabilitation and the program for the realization of unity and democracy, I feel certain that they would not knowingly approve the appointment of officials or the promulgation of policies that might militate against the hoped for success of the present Central Government-Communist Parties.

I wish to avail myself of this opportunity to assure you again of my heartfelt gratitude for the unstinted and friendly assistance which your President and your countrymen have given China the past several years. Chiang Kai-shek."

HURLEY

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893.00/9-2045

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] September 20, 1945.

Subject: Occupation of Chinese Cities by American Troops.

A *N. Y. Times* dispatch of September 14 states: "General Wedemeyer said plans under consideration would include United States occupation of Peking, sections of Manchuria, Shanghai, and possibly such other cities as Tientsin, Foochow . . ." <sup>62</sup> General Wedemeyer is quoted as saying: "The object of bringing in American troops would be to maintain order and facilitate the control of the Central Chinese Government in areas that have been occupied by the Japanese."

The September 16 issue of the *N. Y. Times* states that General Wedemeyer, in explaining his previous statement, said specifically that the American mission was not to "open up cities" but rather to

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<sup>62</sup> Omission indicated in the original memorandum.



help the Chinese reestablish themselves in cities and ports. In the earlier report of Wedemeyer's comment, it is stated that American troops might be used until the internal situation is "stabilized".

A news report of September 20 from Chungking states that "according to a Chinese Government spokesman, U. S. troops will take part in the occupation of certain Chinese cities if present plans materialize."

I have not been able to obtain any authoritative information on these Army plans. I know that "service troops" of the American Army are to go to Shanghai.

If American troops occupy Chinese cities to maintain order until conditions are "stabilized", it stands to reason, or at least it must be anticipated, that they would be prepared to put down disorder. There could be civil disorder, or there could be disorder arising from an attempt by non-National Government forces (Communist or otherwise) attempting to assume control of a city or cities. The picture of American troops putting down civil disorder in China is not, of course, a pretty one. More serious is the picture of American troops in the dilemma of choosing between (1) using force to prevent occupation of a city by non-National Government troops (probably Communist) or (2) turning over to non-National Government troops (probably Communist). Even though one grants that the probabilities are that American troops would be able to "maintain order" without any of these eventualities occurring, the possibility of their occurring is to me alarming. It seems to me both reasonable and expedient that, rather than employ American troops "to maintain order" in Chinese cities, Chinese troops, transported to the cities by General Wedemeyer's planes if necessary, be used for this purpose.

I bring this matter to your attention with the suggestion that you try to obtain from Mr. McCloy<sup>63</sup> a precise statement of the Army's plans and, if they do envisage occupation of Chinese cities other than Shanghai by American troops "to maintain order", that the matter be placed before the President.

J[OHN] C[ARTER] V[INCENT]

893.00/9-2245

*The Second Secretary of Embassy in China (Stevens) to the  
Ambassador in China (Hurley)*<sup>64</sup>

No. 282

SIAN, September 22, 1945.

SIR: I have the honor to inform the Embassy that reports are frequently heard here of armed clashes between Chinese Communist on

<sup>63</sup> John J. McCloy, Assistant Secretary of War.

<sup>64</sup> Transmitted to the Department by the Embassy in China on September 29 without covering despatch; received October 12.

the one hand and Central Government troops and Chinese irregulars on the other hand. More than one such report include armed Japanese units among the opponents of the Communists, and all are more or less specific as to time and place of the clashes.

I have been told by an officer attached to the First War Area Headquarters in Sian that there can be no mistake regarding the occurrence within the past week of clashes with the Communists in Honan and Hopei. Fighting of this kind, he said, has been and is still going on at various places in Honan between Kaifeng and Shangch'iu, and at several (unnamed) places in southern and central Hopei. Another informant mentioned Shaho and Chengting, on the Ping-Han Railway, and Kuan, a road junction about 80 kilometers south of Peiping, as three Hopei places where fighting with the Communists has recently occurred.

Other reports of the kind, brought here from Peiping by American military personnel, mention almost daily "skirmishes", in the environs of Peiping, between armed Japanese guards and surrounding Communist bands; while in northern Shansi, I have been told, General Yen Hsi-shan has purchased the services of approximately 8,000 to 10,000 Japanese regulars to attack Communist forces converging on Tatung from the east and southeast.

As viewed from this locality, the significance of these reports, if they be based on fact as most of them would appear to be, is that as yet there has been no settlement at Chungking of basic Kuomintang-Communist issues despite encouraging announcements to the contrary that have been released by the censors here for publication.

Respectfully yours,

HARRY E. STEVENS

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893.24/9-2445

*Memorandum by Mr. William T. Turner of the Office of Far Eastern Affairs to the Director of the Office (Vincent)*

[WASHINGTON,] September 24, 1945.

Colonel Vittrup<sup>65</sup> at his regular call this morning said that in connection with the talks that Mr. Soong had had with the President he understood that there was an agreement between them for the transfer to the Chinese of arms and equipment now in India and other places. He said that as far as the War Department was aware no machinery and no plan had been set up for transfer. The War Department is now anxious to withdraw its personnel from the East and is therefore desirous of obtaining some decision by someone in

<sup>65</sup> Col. Russell L. Vittrup, liaison officer between the Department of State and the War Department.

regard to terms, plan, and mechanics of the transfer. He said that the matter would probably reach us in due course through formal channels but that he would appreciate as early as possible some indication of our thoughts in the matter.<sup>66</sup>

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740.00119 PW/9-2045 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, September 25, 1945—8 p. m.

1548. The following message from the President to Chiang Kai-shek is sent in response to your telegram 1629, September 20, 9 a. m.

“I have received your *Aide-Mémoire* transmitted through the American Embassy.

Mr. George Atcheson, Minister Designate to Siam, has been sent by me to Tokyo to assume the duties of Acting Political Adviser to General MacArthur. Mr. Atcheson is being accompanied by a number of officers to assist him, among whom is Mr. John Service. Mr. Atcheson and his assistants will be stationed in Tokyo and will be dealing with problems directly connected with the surrender and occupation of Japan. Neither Mr. Atcheson nor his assistants will go to China.

With reference to comments in your *Aide-Mémoire* on United States policy toward China, I am happy to assure you that there has been no change, nor is any change contemplated, in this Government's policy toward China.

Your expressions of appreciation for the American assistance given China are gratifying to me and I assure you that we wish to continue cooperation with you for China's reconstruction and for building the structure of international peace and well-being. Harry S. Truman.”

ACHESON

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893.01/9-2745

*Memorandum by the Acting Secretary of State of a Telephone Conversation With the Ambassador in China (Hurley), Temporarily in Washington*

[WASHINGTON,] September 27, 1945.

Ambassador Hurley telephoned me and expressed his desire to make a report on the Chinese situation when the Secretary returned from London,<sup>67</sup> at which time he thought it would be desirable to

<sup>66</sup> Marginal notation by the Director of the Office (Vincent): “I told him this morning that everything seemed to be awaiting arrival of General Wedemeyer. JCV”.

<sup>67</sup> Secretary Byrnes was attending the first meeting of the Council of Foreign Ministers.

have the Secretary, Mr. Hurley and myself present at the White House. Mr. Hurley also suggested that General Wedemeyer, who is in Washington at the present time, also come in on the conference unless there is some objection by the State Department to his presence at this first meeting. Mr. Hurley stated he has been on the closest terms with General Wedemeyer notwithstanding some reports to the contrary and has found him a very able person and most cooperative. Mr. Hurley thought that since General Wedemeyer is going back to China we might wish to give him all the background from the very start, but stated this was only a suggestion.

Mr. Hurley stated there was a tremendous job to be done out there and now that Russia has agreed to support Chiang it was more essential than ever that we have Chiang's confidence. Mr. Hurley stated that he himself felt unable to go back as he was tired and in need of a rest and thought the post needed a young, vigorous man to cope with all the problems there.

I told Mr. Hurley I would see the Secretary immediately after his return and would let him know about the arrangements for the conference with the President. Mr. Hurley stated he could be reached at National 1447 through his secretary, Mrs. Carter.

DEAN ACHESON

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811.326/9-2745

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] September 27, 1945.

Subject: Occupation of Chinese Cities by American Troops

I am concerned, as I told you on Tuesday<sup>68</sup> in the Map Room and as I have indicated in my memorandum of September 20 (copy attached) regarding the use of American troops to occupy certain Chinese ports and maintain "stability". You will recall that one of the Army officers explaining the maps said that a division of Marines would be sent to Tientsin to occupy the Tientsin-Peking area, and another division would be sent to Tsingtao, and that a battalion from one of the divisions would be sent to Chefoo. You will also recall that another of the officers had just previously mentioned reports that Chinese Communist troops were massing to occupy Tsingtao and also reports that there were Chinese Communist troop concentrations in north China in the Peking-Tientsin area.

If I were sure that these dispositions of American Marines were in fact under way I would suggest a memorandum to the President.

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<sup>68</sup> September 25.

However, I really think the matter should be brought informally and orally to the attention of the President if there is a means of doing so; or at least Mr. McCloy should be asked about the matter. General Wedemeyer is now in the city and will presumably see the President. I think the President should be prepared to discuss the matter with him and, unless there are over-riding military reasons for carrying out these dispositions of American Marines, the plan should be abandoned in favor of occupation by Chinese troops.

J[OHN] C[ARTER] V[INCENT]

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811.326/9-2845

*Memorandum by the Under Secretary of State (Acheson) to the Director of the Office of Far Eastern Affairs (Vincent)*

[WASHINGTON,] September 28, 1945.

[Subject: Occupation of Chinese Cities by American Troops]

Before Mr. McCloy went away I had two talks with him on this subject.<sup>69</sup> In the first one, he told me that he thought this plan was the residue of a larger plan in which it was contemplated that American troops would occupy several ports, including those now occupied by Soviet troops. He could not see much purpose in going ahead with the residue of the plan and his idea at that time was that it could be arranged to drop the plan.

He called me up the next day to say that he had had a talk with General Wedemeyer. He said that the General had stressed that there were in China somewhere in the neighborhood of 4,000,000 Japanese, 2,000,000 of whom were armed, whom it was necessary to evacuate. The General thought that the principal evacuation would take place through the ports at which it is now proposed to have American troops, although other ports would also be used. It was most essential that the ports should be strongly held and that the evacuation should take place in an orderly way. McCloy stated that the General further pointed out that the ports in question were those in the neighborhood of which trouble was most likely to start between the Government troops and the others and that therefore the presence of American troops would strengthen the position of the National Government, help to prevent any disorders from starting, and was desired by the Generalissimo. McCloy had asked General Wedemeyer to get in touch with you.

D[EAN] A[CHESON]

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<sup>69</sup> See memorandum by the Director of the Office of Far Eastern Affairs (Vincent), *supra*.

740.00119 PW/9-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 28, 1945—9 a. m.

[Received 1:35 p. m.]

1678. The Generalissimo requests the Embassy to express to the President his deep appreciation of the President's message conveyed Dept telegram 1548, September 25, 8 a. m. [*p. m.*]

ROBERTSON

893.00/9-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 29, 1945—3 p. m.

[Received 6:40 p. m.]

1690. Given below is summary of Military Attaché's report for week ending September 29:

Communist forces intensifying activities in North China, chiefly in Kalgan, Peiping and Mukden areas. Many Communist agents in Peiping; Jap garrison not yet surrendered. There are indications that some Communist units in this region have received Jap arms with assistance of Soviet occupation forces further north. Communists in full control Kalgan area and reported organizing and training people's militia. Soviet forces reported in Changpei, 30 miles north of Kalgan and in communication reportedly with Communists.

In Mukden area, Communists are reported in considerable numbers and said to have been armed substantially by Soviets with captured Jap matériel. Eighth Route Army forces, in role of liberators, have disseminated posters and pamphlets in South Manchuria. Apparently Soviets have not stopped these activities and although verified reports are lacking there are indications Soviets have a hand in Chinese Communist strategy in Manchuria and North China. Extent of Soviet support is not known nor what place Chinese Communists have in Soviet plans for Manchuria. However, implications are serious and conflict with Allied strategy in China. Such conditions are significant in view of conversations now in progress in Chungking between Gimo and Mao, and it is difficult to believe there is sincerity, at least on part of Mao Tse-tung. Strength of Eighth Route Army is apparently steadily increasing, and more important positions are being occupied. Continuation of this trend will be determined perhaps by willingness of Soviets to support Communists even if such support means conflict with Allied plans of flying Central Govt troops into area concerned. (*End Summary*)

Embassy has found it difficult to obtain reliable information on developments in North China and Mukden areas. However, American Army officers who have been in Mukden recently report that some Eighth Route Army forces appeared in Mukden early in September;

rough estimates placed their numbers at possibly 3,000. These troops reportedly well armed and equipped; no open fraternization with Soviet forces. Embassy is endeavoring obtain further information on situation in Manchuria and Kalgan and will report when this is available.

Reports have been received indicating that Soviets are removing Japanese factory equipment from Manchuria.<sup>70</sup>

ROBERTSON

800.24/10-245

*The Chargé in China (Robertson) to the Secretary of State*

[Extract]

No. 758

CHUNGKING, October 2, 1945.

[Received October 18.]

SIR: I have the honor to transmit the minutes of the forty-third weekly meeting of representatives of United States Government agencies in Chungking held at the Chancery on September 25, 1945, at 10 a. m. Mr. Walter S. Robertson, Chargé d'Affaires a. i., presided, and Mr. M. H. Walker, Assistant Commercial Attaché, acted as secretary.

*Remarks by General Stratemeyer*

Lieutenant General G. E. Stratemeyer, Commanding General, Army Air Forces, China Theater, now serving as Commanding General of the China Theater in the absence of Lieutenant General A. C. Wedemeyer, was invited to meet with representatives of civilian agencies and to make any remarks he desired on current developments affecting United States Army forces and activities in the theater. He explained the primary purpose of such activities in China as now being to protect United States lives and property and to assist the Chinese in the re-deployment of their armed forces in order to occupy areas formerly held by the Japanese, also to advise and assist the Chinese with respect to getting Japanese troops out of the theater. He expressed satisfaction with the progress already made in moving Chinese troops to Shanghai and Nanking by air. By September 22, 18,000 troops had been moved from Liuchow to Shanghai and 22,000 had been carried from Chihkiang to Nanking. On this date the ATC had completed 22 percent of its assignment and the Tenth Air Force had moved 62 percent of its quota.

Another important function has been the rescue of prisoners of war and the rendering of assistance to civilian internees. General Stratemeyer stated that all prisoners of war have been evacuated. With

<sup>70</sup> For further documentation regarding the situation in Manchuria, see pp. 1025 ff.

respect to assisting civilian internees, a problem has arisen regarding the carrying of supplies to those internees who elected to stay either at internment camps or in adjacent areas. The Air Force has been requested to continue to move in supplies for these people. The view has been taken, however, that after the initial shipment of humanitarian supplies, such as medicines and essential foods, no further supplies would be transported. The Air Force feels that it has done its job with respect to civilian internees, especially towards those of other than American and Chinese nationalities.

The Army is seeking to assist wherever possible in the protection of American property until the rightful owners can get protection thereof.

General Stratemeyer stated that the Theater Headquarters will be established in Shanghai by October 15. This does not mean that the Chungking headquarters will have been moved bag and baggage to Shanghai by that date. A very minimum group will go to Shanghai to do the job for the theater which is essential to be done there. A large liaison group will remain in Chungking in order to continue relations directly with the Chinese Government. General Stratemeyer said that the moving of headquarters to Shanghai was against the advice of many persons, but that it was felt that the army's job in many respects could be better done there than in remote Chungking.

#### *Assistance to Civilian Agencies*

General Stratemeyer stated that in the Army's program and activity it had been necessary to place first things first from the military standpoint, and only then to consider help to civilian agencies. By November 1, it is expected to have transported four Chinese armies numbering 140,000 men, together with equipment. Upon completion of this assignment, many airplanes and combat crews will be "war weary", but a fairly strong air force will be left to be used as General Wedemeyer directs. Speaking as Commanding General of the Army Air Forces in the China Theater, General Stratemeyer stated that those forces would remain as long as General Wedemeyer believes that they can be of help, and directives to remain are received from the War Department.

General Stratemeyer said that when army headquarters are established in Shanghai, the army will want to provide every assistance to civilian agencies when they move to the coast with respect to such matters as messing and billeting. General Stratemeyer concluded with a tribute to General Wedemeyer and an expression of appreciation for the close teamwork which has existed between the army and civilian agencies in this theater.

Respectfully yours,

WALTER S. ROBERTSON



893.77/10-245

*The Second Secretary of Embassy in China (Stevens) to the  
Ambassador in China (Hurley)*<sup>71</sup>

No. 287

SIAN, October 2, 1945.

SIR: I have the honor to report as follows on rail communications in north-central Honan Province. The information was given in conversation today with an American Catholic priest who returned to Sian two days ago from a visit to the area mentioned.

Communist activity north of the Yellow River in Honan has become increasingly active. They have established headquarters near Puyang where many Chinese hostages are being held. One German Catholic priest was taken by the Communists from Poai to Chihcheng, 3 Italian priests from Anyang to Linchang, and 1 German priest from Yenching to Niushihtun.

The Taokow-Poai Railway east of Hsinhsiung, destroyed by the Chinese before the Japanese arrived, has not been restored. West of Hsinhsiung, the rails have been taken up by the Communists and removed to some Communist stronghold in the Tai Hang Mountains. North of Hsinhsiung, on the Ping-Han Railway, the Communists have destroyed many bridges and otherwise damaged sections of the roadbed, in order to prevent the northward movement of National Government troops.

South of the Yellow River, Japanese-controlled and operated military trains are running on the Lung-Hai Railway from Chenghsien eastward to the new Yellow River ferry about 30 kilometers east of Kucheng, and from the east bank terminal of the ferry on to Kaifeng. Most of the west to east trains, however, reach Kaifeng from Chenghsien by crossing the poorly repaired Yellow River bridge northwest of Chenghsien, proceeding to Hsinhsiung, and then turning southeastward, on the Hsinhsiung-Kaifeng line, crossing the dry bed of the Yellow River on a raised embankment near Liuyuannankou. Japanese troops still control the railway and public communications systems in this sector.

South of Chenghsien, on the Ping-Han Railway, trains run to Chumatien where there are American CCC<sup>72</sup> and OSS<sup>73</sup> groups which plan to withdraw. West of Chenghsien, trains run only as far as Ssushui.

My informant was of the opinion that the attitude of the Communist[s] in Honan toward foreigners is stiffening, while that of the Japanese is becoming more courteous. Some of the newly-arrived National

<sup>71</sup> Copy transmitted to the Department by the Embassy in China on October 31 without covering despatch; received November 16.

<sup>72</sup> China Combat Command.

<sup>73</sup> Office of Strategic Services.

Government military authorities, he said, are employing the Japanese and some puppet troops to protect the railways from damage or seizure by the Communists.

Respectfully yours,

HARRY E. STEVENS

893.00/10-645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 6, 1945—8 a. m.

[Received October 6—5:45 a. m.]

1735. There is given below substance of report dated October 2d made by Army G-2 to commanding general here based on information furnished by two Army officers recently returned from Kalgan area (ReEmstel 1690, September 29) :

American officers returned from Kalgan state that Chinese Communists now control about three quarters of triangle formed by Kalgan, Peiping and Tatung.

Chinese Communist strength in the Kalgan area is estimated at 5,000 regulars.

The presence in Chinese Communist headquarters [at] Kalgan of Soviet staff officers is reported. These officers are pledged to leave November 15 but are serving at headquarters of Liu Tien-chi in advisory capacity; Liu who is political head of Shansi-Hopeh-Chahar border region seems to be an indecisive person and a Soviet pawn. (Sent to Department, repeated to Moscow.)

There were noted evidences of Chinese Communists moving up to Manchuria from Shansi through Kalgan. As of September 11th Peiping-Suiyuan railroad was said to be under Chinese Communist control for 70 miles southwest of Kalgan toward Tatung and also from Kalgan about 40 miles southeast with intermittent control to Nankou.

Equipment of Chinese Communists noted was partly Japanese; Russians used Lend-Lease vehicles and were clad in American fatigues dyed blue.

Displeasure of Chinese inhabitants has been incurred by Chinese Communists because of indiscriminate looting. Soviets manifested an apparent willingness to cooperate with Americans and their attitude was civil. However, Soviets were careful to obtain sanction of Chinese Communists and made it clear that they were under jurisdiction of Chinese Communists.

The Chinese Communists exhibited extreme antipathy towards Americans. This resentment derived from (1) redeployment of Kuomintang forces by Americans; (2) employment by Kuomintang against Chinese Communists of arms furnished by Americans; (3) anticipated presence of U. S. forces in Tientsin, Peiping and along coast.

Chinese Communist leader Mao Tse-tung was toasted by a Soviet officer at party given by Soviets. Neither Chinese Communists nor Soviets mentioned Sino-Soviet treaty.<sup>74</sup>

<sup>74</sup> Signed at Moscow, August 14, 1945; Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

Liu Tien-chi refused American officers permission to continue their mission to Peiping. Also Liu dispossessed them of American arms and equipment before they left on September 16. These arms and equipment would be returned only upon formal request from American Government. Although in protective custody of Chinese Communists, the basic wants of the American officers were adequately provided. *End of Summary.*

Embassy has been informed that a more detailed report is being prepared by the officer concerned and Embassy will transmit any further significant information contained therein.

ROBERTSON

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893.00/10-845

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] October 8, 1945.

American naval vessels are now off the Chinese port of Chefoo, according to an AP dispatch of October 6. Chefoo has been occupied by Chinese Communist troops.

The following is a summary of a monitored broadcast of the Chinese Communist radio, October 7:

General Chu Teh, Commander-in-Chief of the Chinese Communist Forces, has advised Colonel Yeaton of the U. S. Observer Mission at Yen-an, that United States Marines should not land in Chefoo without prior agreement with the Communist Eighth Route Army. On October 4, Marine Headquarters requested that the Eighth Route Army and Municipal Government withdraw from Chefoo in anticipation of an American landing. Previously the Communists had cooperated with an American party to investigate American properties in Chefoo and permitted American forces to use Kungtung Island for recreational purposes. Pointing out that Japanese forces had been disarmed and order was being maintained in the city, General Chu warned that an American landing "would lead both the people of China and abroad to suspect American interference in Chinese internal politics."

J[OHN] C[ARTER] V[INCENT]

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740.00119 Pacific War/10-345

*The Under Secretary of State (Acheson) to Representative Hugh  
De Lacy*<sup>75</sup>

WASHINGTON, October 9, 1945.

MY DEAR MR. DE LACY: I have received your letter of October 3, 1945,<sup>76</sup> in which you express concern over the sending of United States

<sup>75</sup> Letter to the Representative from Washington drafted on basis of information given on October 8 by Lt. Gen. A. C. Wedemeyer, then in Washington, in response to an inquiry from the Assistant Chief of the Division of Chinese Affairs (Drumright).

<sup>76</sup> Not printed.

Marines to north China and inquire as to the policy which prompts the despatch of our Marines to that area.

The movements in and to China of United States armed forces, including Marines, are being carried out in pursuance of instructions of the Joint Chiefs of Staff. The purpose of these movements is to assist the Chinese authorities in the task of concentrating, disarming and repatriating the Japanese in China. It is estimated that this operation will ultimately involve the repatriation from China to Japan of approximately four million Japanese, about half of whom are members of the enemy armed forces and the remainder enemy civilians. It was clear that the number of United States armed forces in China at the time of the Japanese surrender was insufficient to cope with this immense task and that the lack of transportation from west to east China was an insuperable obstacle to its accomplishment. It was for these reasons, therefore, that elements of the United States Marines, who were available in nearby areas, were sent to north China. The utilization of United States Marines in north China is expected to speed up materially completion of the task of concentrating, disarming and repatriating the Japanese in north China. I think it will be clear that the sooner we and our Chinese allies are able to complete our task, the sooner the members of our armed forces will be enabled to return to the United States.

I should like to assure you that our armed forces are in China not for the purpose of assisting any Chinese faction or group, but for the purpose which I have set forth above.

Thank you for your courtesy in writing. Please feel free to let me have the benefit of your views at any time.

Sincerely yours,

DEAN ACHESON

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893.00/10-945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 9, 1945—1 p. m.

[Received 4:40 p. m.]

1758. Military Attaché's report for week ending October 6 is summarized below.

During week several significant although lowly evaluated reports evidenced that Soviet military influence is growing in Manchuria and North China. There appears to be little doubt that Chinese Communist forces identified up to present as members of Eighth Route Army are obtaining from Soviet forces in Manchuria considerable quantities of captured Jap military supplies. Throughout Liaoning storage depots are being handed to them and Soviet forces are stated to have crossed the border of Hopei, disarming Japanese at Shan-

haikuan and Kupeikou and turning over much of the booty to Communists.

In Hopei and Chahar provinces Soviet officers are stated to be in liaison with numerous Communist units and Soviet-Communist relations seem to be cordial. Soviet staff officers are said to be acting in an advisory capacity in Communist headquarters at Kalgan. (Military Attaché's report here gives information already reported in Embassy 1735, October 6.)

The Kalgan-Peiping-Tatung area and most of Shanhaikuan-Mukden and Peiping-Tatung railroads are now under control of Communists. Active recruiting is reported throughout this region.

In addition to present Central Government pressure on Communists in East Central China, it is reported that General Wang En-po has been relieved of command of Shanghai area and given special duty of protecting Tientsin-Pukou Railroad from Communist interference. No information is now available as to forces which will be given General Wang for this purpose, but it is assumed that strong forces will be made available as Shanghai area situation improves and Japanese demobilization is completed.

(Military Attaché here reports on situation in Kunming which has been fully covered by reports from Consul in Kunming.)

There are reports that General Yen Hsi-hsin of Shansi Province may be treated in the same way as Governor Lung Yun of Yunnan Province. (*End of Summary*)

ROBERTSON

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893.00/10-1445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 14, 1945—9 a. m.

[Received October 15—11 : 38 a. m.]

1791. Summarized below is Military Attaché's report for week ending October 13 :

Of outstanding significance with respect to North China military situation was entry last week of American Marines into Peiping. This move has enabled General Sun Lien-chung, Commander of Eleventh War Zone, to receive surrender of Japanese troops in Peiping, thereby removing Communist menace which has been growing steadily since war ended. Although area outside city is still filled with Chinese Communists, presence within Peiping of several thousand U. S. troops has withheld from them their principal objective and transfer of Central Govt forces from other sections of China into region will make their positions less tenable.

It is acknowledged by Communist sources that American assistance to Central Govt in assuming control over areas formerly occupied by Japanese makes Communist position difficult and makes it impossible for them to take over areas which they want. The influence of this policy on Communist attitude toward U. S. is profound. Ill feeling towards the U. S. is steadily increasing and is apparent in statement made recently to American liaison group in Yen-an by General Chu Teh, Communist Commander-in-Chief, to effect that attempts by Americans to occupy Communist-held areas without his permission could have serious results.<sup>77</sup> Full significance of this stern warning can be determined only by willingness of Communists to play a principal part in these serious results. A series of occurrences since Japanese surrender has disproved to considerable extent Communists' ability to back their verbal threats with military action.

Chinese Communists are no match for Central Govt troops acting with American assistance.

Therefore, their area of influence has been shrinking and center of their power withdrawing to north. One strong indication of this is contained in another report from American liaison group in Yen-an, stating that headquarters of Communist govt was prepared to move from Yen-an to Kalgan but cannot do so because it lacks means of transportation. Discussions just concluded between Gissimo and Mao Tse-tung<sup>78</sup> clearly demonstrate that Central Govt knows well difficulties of Communists in this regard. While both parties reached agreement concerning number of disputed points, vital question of Communist military and political integrity in North China could not be resolved so that no truce was reached. Impasse between Central Govt and Communists is still fundamentally unaltered. New developments in Communist activities should be brought about by Mao Tse-tung[']s] return to Yen-an.

ROBERTSON

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740.00119 PW/10-1645

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] October 16, 1945.

Congressman Mike Mansfield called on me yesterday to express his concern with regard to the dispatch of American Marines to north China. He was handed a copy of your letter to Congressman De

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<sup>77</sup> See memorandum of October 8 by the Director of the Office of Far Eastern Affairs (Vincent) to the Under Secretary of State (Acheson), p. 577.

<sup>78</sup> See pp. 445 ff.

Lacy<sup>79</sup> on this subject which he read and returned. It was obvious that the explanation in the letter did not satisfy him.

I have known the Congressman for some time and he spoke quite freely. He said that the use of American planes to redeploy large numbers of Chinese National Government troops might be warranted; that the wisdom of using American Marines to garrison north China cities was certainly questionable; and that any prolonged use of Marines in north China would be, in his judgment, most unwise.

He mentioned in this connection the Russian troops in Manchuria and expressed the fear that the Soviet Union, which had informed the Chinese Government of its intention to withdraw its troops from Manchuria by the end of November, might reconsider this decision if American Marines remained in north China. He expressed the hope that the Marines might be withdrawn at the earliest possible moment and indicated that they should be withdrawn not later than the end of November. He said that he did not see why Chinese troops could not be flown into north China by that time to garrison the cities and take over problems of demobilizing and repatriating Japanese troops.

*Note:* You probably saw or heard of the statement of Chiang Kai-shek in yesterday's paper regarding the Marines in which he said that they would be withdrawn as soon as they can be relieved by Chinese Government forces.

It might be a good idea to suggest that Mr. Forrestal<sup>80</sup> or Mr. Patterson<sup>81</sup> make a similar statement. If you concur you might wish to suggest it to one or the other of them on the telephone.

J[OHN] C[ARTER] V[INCENT]

740.00119 PW/10-1745 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, October 17, 1945.

[Received October 17—8:25 a. m.]

3570. Congressman Mansfield's statement regarding American policy in China<sup>82</sup> was featured on foreign page of *Izvestiya* October 16 in despatch datelined New York, October 11. Translation of despatch follows:

Mansfield stated in House that policy in Far East is not clear and summoned us to withdraw all Armed Forces from China. He said that there is no basis for holding Armed Forces in China, India,

<sup>79</sup> Letter of October 9, p. 577.

<sup>80</sup> James Forrestal, Secretary of the Navy.

<sup>81</sup> Robert P. Patterson, Secretary of War.

<sup>82</sup> "American Policy in the Far East", *Congressional Record*, vol. 91, pt. 7, p. 9629.

Burma and Korea and that sending of reinforcements to naval units on Asiatic Continent is in no way justified since it is in the interest of United States to withdraw its forces promptly. There are great possibilities for the flaring up of revolutionary movement in Manchuria now under Russian control: in Sinkiang where revolutionary movement has been developing for many months; in Shantung and Hopei where there are American warships supplying American seamen; in Hong Kong whose future status has not yet been defined; and in many other places. Mansfield stated that the longer American Forces remain in China, the greater are possibilities for United States being drawn into internal problems of China.

Mansfield stated that American Forces in China continue to be reinforced. Landing of Naval Forces in Tsingtao and presence of five cruisers in Chefoo has created situation dangerous for United States, in first place, because it may impel Russians to refuse to withdraw their forces from Manchuria within 3 months as was provided by Soviet-Chinese treaty.<sup>53</sup> Secondly, if civil war began in China between Kuomintang and Communists, United States might not be able to maintain neutrality. It should be remembered that provinces of Shantung and Hopei are located closer than any others to Russian-occupied Manchuria. In these provinces there is a substantial number of Communists who might decide to maintain independent position regardless of outcome of Chiang-Mao negotiations. Mansfield warned that landing of Naval Forces and sending of American cruisers to Chefoo is entirely unjustified interference in Chinese affairs and "although Chiang Kai-shek indisputably is encouraged continuing this policy".

Sent State as 3570; repeated Chungking as 181.

[HARRIMAN]

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893.001 Chiang Kai-shek/10-2045

*President Truman to President Chiang Kai-shek*

WASHINGTON, October 20, 1945.

MY DEAR GENERALISSIMO CHIANG: I have received from General Hurley and read with much interest and pleasure your kind letter of September 17, 1945. I was particularly gratified to note from your communication the high esteem in which you hold General Hurley, as well as your generous tribute to him for the part he has played in furthering the ties of amity, cooperation and understanding which so happily exist between our two countries. From my own observations and from what General Hurley has told me, I am convinced that you, through your unceasing efforts, understanding and cooperation, have contributed in an even greater measure to fostering the spirit of friendship and understanding which animates our two peoples. For this accomplishment on your part I am deeply grateful.

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<sup>53</sup> Signed at Moscow August 14, 1945, *United States Relations With China*, p. 585.



In the course of extended discussions, General Hurley has given the Secretary of State and me the benefit of your valued views and convictions with respect to the furtherance of our mutual relations and the maintenance of peace and order in the Far East. We have found your views to be of great assistance in our consideration of Far Eastern and world problems, and we hope that you will feel free at all times to impart to us your observations on questions of mutual interest.

The Secretary of State and I have noted your desire that General Hurley return to his post in China. In view of your wish and also in view of the confidence we repose in General Hurley's judgment and ability, I am glad to confirm that we have requested him to return to China to continue his mission of fostering friendship and intimate cooperation between our two countries.

With kindest personal regards [etc.],

HARRY S. TRUMAN

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740.00119 PW/10-2545

*Report by the State-War-Navy Coordinating Committee*<sup>84</sup>

SWNCC 83/6

[WASHINGTON, October 22, 1945.]

POLICY OF THE UNITED STATES TOWARD CHINA WITH SPECIAL REFERENCE TO U. S. MILITARY RESPONSIBILITY IN THE TRAINING AND EQUIPMENT OF CHINESE ARMED FORCES

REPORT BY THE STATE-WAR-NAVY COORDINATING SUBCOMMITTEE FOR THE FAR EAST

THE PROBLEM

1. To review general U. S. policy toward China, with particular relation to military and political considerations.
2. In the light of such review to determine what assistance should be given by the United States in the training and equipment of Chinese armed forces.

FACTS BEARING ON THE PROBLEM

3. See Appendix "A".<sup>85</sup>

DISCUSSION

4. See Appendix "B".<sup>86</sup>

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<sup>84</sup> Copy of revised paper (SWNCC 83/4 as amended by SWNCC 83/5, neither printed, approved by the Committee at its 28th meeting on October 22) transmitted to the Secretary of State by the Acting Chairman of the State-War-Navy Coordinating Committee (Matthews) in his memorandum of October 25, not printed; similar memoranda were forwarded to the Secretaries of War and Navy and the Joint Chiefs of Staff, for their guidance and, where appropriate, for implementation. Copy transmitted to the Chargé in China (Robertson) by the Secretary of State in instruction No. 348, November 7, not printed, which noted paragraph 10 in particular.

<sup>85</sup> Annex 1, *infra*.

<sup>86</sup> Annex 2, p. 587.

## CONCLUSIONS

5. The objectives of the United States in the Far East are :

*a.* To provide for the security of the United States and its territory and for the maintenance of international peace; and

*b.* To create a political atmosphere conducive to the establishment of mutually beneficial commercial and cultural relations between the United States and its citizens and Far Eastern Areas and their nationals.

6. The achievement of these objectives in China requires a friendly, unified, independent nation with a stable government resting, in so far as practicable, on the freely expressed support to [*of?*] the Chinese people.

7. To the end that the progress and development of China in this direction may be furthered, the following should be established as policies of the United States :

*a.* To support and assist the national government of China in development along lines which are compatible with our basic objectives in the Far East;

*b.* To assist and advise China in the development of modern armed forces, ground, sea and air, for the following purposes only: (1) maintenance of internal peace and security in China, including the liberated areas of Manchuria and Formosa, and (2) the fulfillment of those obligations which may devolve upon China in the occupation of Korea and Japan;

*c.* To discontinue our assistance to the development of Chinese armed forces, upon due notice to the Chinese Government, if at any time it is established to the satisfaction of the United States Government that the Chinese armed forces are being used in support of an administration not in conformity with the general policies of the United States, to engage in fratricidal war, or to afford a threat of aggression.

8. The extent to which political stability is being achieved in China under a unified, fully representative government is regarded by the United States as a basic consideration which will at all times govern the furnishing of economic, military, or other assistance to that nation. The question of continuing such assistance should be reconsidered periodically in relation to this basic consideration.

9. The Joint Chiefs of Staff should be requested to survey and report upon the needs of China's armed forces in the light of the policies outlined above, and to recommend to the Secretaries of War and the Navy as to the nature and extent of United States assistance in the development and maintenance of these armed forces.

10. The Secretary of State should arrange, either through our established diplomatic and consular representation in China or through representation on such military and naval missions or other means as may be available to him, for a continuing survey of, and periodic

review and report upon, political conditions and developments in China as they are related to the extension of military aid to that country. Upon the basis of such survey, review and report, this government should periodically reconsider the extent to which further military assistance should be afforded to China, and the conditions upon which it should be extended.

11. The terms and conditions of all aid rendered to China should be established under arrangements to be agreed upon between the Governments of the United States and China. The arrangements should include the methods of payment, financial and otherwise, by China for the aid rendered by the United States.

12. It is believed that this paper should not be made public or communicated to any foreign governments. We should, however, keep other interested governments adequately informed of steps taken to implement our policy.

#### RECOMMENDATIONS

13. It is recommended that:

*a.* This report be referred to the Joint Chiefs of Staff for comment from the military point of view; and

*b.* Upon approval by the SWNCC of the "Conclusions" in paragraphs 5 to 12 above, this report be transmitted to the Joint Chiefs of Staff and to the State, War and Navy Departments for their guidance and, where appropriate, for implementation.

[Annex 1]

#### APPENDIX "A"

#### FACTS BEARING ON THE PROBLEM

1. A memorandum from the Department of State on 3 April 1945,<sup>87</sup> Appendix to SWNCC 83/1,<sup>88</sup> includes the following statements concerning United States policies:

"2. Long-range Objectives and Policy of the United States with respect to China.

"The American Government's long-range policy with respect to China is based on the need to have China a principal stabilizing factor in the Far East as a fundamental condition for peace and security in that area. In particular, the political aspects of our policy are directed toward the establishment of a strong, stable and united China with a government representative of the wishes of the Chinese people which will effectively discharge its internal and international responsibilities. While favoring no political faction we continue to support the existing government of China. However, we look for the establishment

<sup>87</sup> Memorandum concerning United States post-war military policies with respect to China, p. 74.

<sup>88</sup> Text of the covering memorandum was the same as the memorandum by Mr. H. Freeman Matthews, May 29, p. 116.

within its framework of the unified and effective type of government that is needed. . . .<sup>89</sup>

"3. Important political and economic considerations, some of which are mentioned below, are involved in the development of a strong China capable of contributing effectively to the maintenance of peace and security in the Far East. The future military strength of China is also an important element. A well-trained and well-equipped Chinese national (non-political) army, supported by a modern air force, would unquestionably contribute materially to the maintenance of a strong China. . . .

"4. Political Considerations.

"Existing political conditions in China are such as to require the greatest caution and flexibility in the application of measures designed to implement the objectives set forth in paragraph 1.

"a. The American Government recognizes and supports the National Government of the Republic of China under the leadership of Chiang Kai-shek. However, the unrepresentative character of the present government which is strictly controlled by a single party, namely, the Kuomintang, the inefficiency of its governmental, administrative and judicial machinery, the inefficiency and corruption prevalent in the present Chinese army and air force, the lack of protection accorded to persons and property, and the absence of freedom of speech and freedom of the press, constitute factors which have created widespread dissatisfaction with the present National Government.

"b. There are political groups of varying strength and importance which are opposed to the present Kuomintang-controlled National Government. These are:

"(1) The Chinese Communist Party which, during the past ten years and in spite of the efforts of the National Government to liquidate its members, has developed into a dynamic force controlling considerable areas in the provinces of Shensi, Shansi, Hopei, Shantung, Anhwei and Kiangsu. It exercises political and military control over a population variously estimated to range from twenty to fifty million people.

"(2) The Democratic League which may be described as a loose federation of minor political parties and groups opposed to continued control of the government by a single party, namely, the Kuomintang.

"(3) Certain Chinese militarists in Szechuan, Yunnan and Kwangsi. Mention might also be made of the semi-independent military rules of Tsinghai, Sikang and Ninghsia whose allegiance to the National Government is largely nominal.

"The existence of these dissident elements. . . . constitutes a disturbing factor in the present political situation in China. This political disaffection has, of course, been greatly aggravated by the severe hardships suffered by the people as a result of eight years of continuous resistance to the Japanese.

"It appears . . . to be of the utmost importance that our support of the present Kuomintang-controlled National Government should be realistically alert to these political factors. . . . Through our diplomatic and military representatives in China, efforts are being made

<sup>89</sup> Omissions indicated in the original.

to induce the leaders of the present National Government to take rapid and concrete measures to effect the establishment of constitutional government and to bring about the internal unity and solidarity which is essential to the development of China as a strong nation capable of maintaining peace and security in the Far East. Whether . . . a constitutional government based solidly upon the support of the people will in fact be established in the near future remains to be seen."

2. Recent military support rendered the Chinese Government has been consistent with the United States short-range policy as communicated by the Department of State to the Secretaries of War and the Navy and by them to the Joint Chiefs of Staff about 1 February 1945.<sup>90</sup> The execution of this policy through the medium of military lend-lease included transfer of equipment for and training of a Chinese army of thirty-nine divisions and, on a lesser scale, support of the Chinese air force. It is estimated that of the equipment involved in the thirty-nine division program approximately one-third has been handed over in China to the Chinese Government, approximately one-third is in the Chinese and India-Burma theaters but not yet turned over to the Chinese, one fifth is enroute between United States and Asia ports and practically all the remainder is assigned but not yet shipped from the United States.

3. Generalissimo Chiang and Dr. Soong have at various times requested that United States military aid be furnished China to the extent of equipping and training from 90 to 120 Chinese divisions.

4. On 14 September 1945, the President made the following oral statement to Dr. T. V. Soong concerning assistance to China:

[Here follows statement printed on page 561.]

[Annex 2]

## APPENDIX "B"

### DISCUSSION

1. The objective of the United States Government in the Pacific and the Far East are essentially two-fold:

*a.* To provide for the security of the United States and its territory and for the maintenance of international peace; and

*b.* To create a political atmosphere conducive to the establishment of mutually beneficial commercial and cultural relations between the United States and its citizens and Far Eastern areas and their nationals. Policies and implementing procedures should be carefully examined to determine whether and to what degree they are consonant with and contribute toward the achievement of these objectives.

<sup>90</sup> See footnote 52, p. 37.

2. SWNCC 83/1, as of the date that it was promulgated,<sup>91</sup> constituted a clear statement of our policy of encouraging a united democratic China, with particular relation to the furnishing of military assistance and advice as a means to that end. Developments since then, however, have resulted in changes in the relative importance, as outlined below, of some of the considerations discussed therein:

*a.* Recently resumed Kuomintang-Communist conversations indicate that efforts are being made to improve the internal Chinese political situation. The greatly increased fluidity of the Chinese political situation resulting from the end of hostilities with Japan and the problems precipitated by this event make it clear that the means of implementing U. S. objectives in that country must be considered flexible and subject to frequent review in the light of changing circumstances.

3. In SWNCC 83/2/D<sup>92</sup> the statement is made that "Continued support to China, if it is to be adopted, should be carried on without hiatus in order best to preserve the present favorable position of the United States with respect to China." Our "present favorable position" in China, cannot, in the context of SWNCC 83/2/D and in the light of the present situation, be interpreted otherwise than as referring to our position as military collaborators with Chiang Kai-shek. The question whether a continuation or capitalization of this position will contribute toward the objective of our security in the Pacific and Far East and the maintenance of international peace requires close examination in the light of a number of factors. SWNCC 83/2/D states that "consideration of the World-wide military surplus stocks now existing makes it appear that the Chinese Government will receive military support from other sources if the United States position of support to the Chinese Government is not maintained." The U. S. S. R. is admittedly in mind. However, one must keep the U. S. S. R. in mind, not only as a possible supplier of material and advice to China in the event that we do not, but also as a competitor in the event that we do supply materials and advice on a scale which the U. S. S. R. might interpret as threatening. The Russian intention to withdraw all Soviet forces from Manchuria and recent informal but authoritative expressions of Russian opinion indicate that the U. S. S. R. is for the present at least prepared to deal with us on a partnership basis in the Far East. It is to our interest to encourage and support this position on the

<sup>91</sup> A memorandum for the Secretaries of State, War, and Navy, of May 28 (enclosure in a note by the Secretaries, SWNCC 83/1, not printed), stated that the Committee had concluded on that date that "the political policy of the United States with respect to China is as set forth in the enclosure" (State Department paper dated April 3, p. 74).

<sup>92</sup> Note of September 4 by the Secretaries of the State-War-Navy Coordinating Committee and enclosure, not printed.

part of the U. S. S. R. It is likewise the general policy of the United States to consider common problems on a consultative basis.

4. In granting any military assistance to China we should therefore exercise care to give no basis for a suspicion that we are creating a *de facto* colonial army in China under our official aegis. For this reason consideration should be given to informing other interested governments of steps being taken by the United States toward the implementation of our policy. The Chinese Government should be advised informally at the time agreements for advice and assistance are negotiated that the United States would expect China not to accept concurrent military assistance or representatives (other than normal military and naval attachés) from other nations without prior consultation with the United States.

5. In addition to the foregoing considerations which are predominantly political, our policies toward China must also be surveyed in relation to economic requirements. This will be the subject of another paper, but the point must be emphasized at this time that our over-all policy vis-à-vis China embraces political and economic as well as military considerations, and that our policies in relation to military affairs must be integrated with and used in support of our policies in other fields.

6. It is consistent with our objectives that internal peace and security be established and maintained in China, including those areas now being recovered from the Japanese. Subject to the considerations set forth in paragraphs 1-5 above, it is to our interest:

*a.* To assist and advise China in the development of modern armed forces, ground, sea and air, for the following purposes only: (1) maintenance of internal peace and security in China, including the liberated areas of Manchuria and Formosa, and (2) the fulfillment of those obligations which may devolve upon China in the occupation of Korea and Japan;

*b.* To discontinue our assistance to the development of Chinese armed forces, upon due notice to the Chinese Government, if at any time it is established to the satisfaction of the United States Government that the Chinese armed forces are being used in support of an administration not in conformity with the general policies of the United States, to engage in fratricidal war, or to afford a threat of aggression.

7. The terms and conditions of all aid rendered to China should be established under arrangements to be agreed upon between the Governments of the United States and China. The arrangements should include the methods of payment, financial and otherwise, by China for the aid rendered by the United States.

8. To insure that the proposed military assistance is responsive to the actual requirements of the Chinese Government, and likewise to

insure that our objectives as outlined above will be furthered in the event that such assistance is extended, pursuant to agreement between the Governments of the United States and China, the Joint Chiefs of Staff should be requested to survey and report upon the needs of China's armed forces in the light of the considerations outlined above, and to recommend to the Secretaries of War and Navy as to the nature and extent of United States assistance in the development and maintenance of these armed forces over and above present commitments.

9. To the same end, the Secretary of State should arrange, either through our established diplomatic and consular representation in China or through representation on such military and naval missions or other means as may be available to him for a continuing survey of, and periodic review and report upon, political conditions and developments in China as they are related to the extension of military aid to that country. Upon the basis of such survey, review and report, this Government should periodically reconsider the extent to which further military assistance should be afforded to China, and the conditions upon which it should be extended.

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SWNCC Files : Lot 52 M 45

*Report by the Joint Chiefs of Staff*<sup>93</sup>

J. C. S. 1330/10

[WASHINGTON,] 22 October 1945.

U. S. MILITARY ADVISORY GROUP TO CHINA

THE PROBLEM

1. To prepare a memorandum for the State-War-Navy Coordinating Committee to guide the State Department in negotiating an agreement with China regarding the establishment of the U. S. Military Advisory Group.

RECOMMENDATION

2. It is recommended<sup>94</sup> that the memorandum in the Appendix, page 105,<sup>95</sup> be forwarded to the State-War-Navy Coordinating Committee, to provide guidance to the State Department in negotiating an agreement with China for the establishment of the U. S. Military Advisory Group.

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<sup>93</sup> Copy circulated, for consideration by the State-War-Navy Coordinating Committee, under covering note (SWNCC 83/8) by the Secretaries, October 25.

<sup>94</sup> The Joint Chiefs of Staff approved this recommendation on October 23.

<sup>95</sup> *Infra.*



## APPENDIX

## U. S. MILITARY ADVISORY GROUP TO CHINA

## Memorandum for the State-War-Navy Coordinating Committee

1. The Joint Chiefs of Staff believe that a U. S. Military Advisory Group, organized as outlined in the plan annexed hereto, should be established in China at an early date to advise and assist the Chinese Government in the development of her armed forces. One of the immediate functions of this group would be to collaborate with the Chinese military and naval authorities in the preparation of a detailed plan outlining the exact nature and extent of U. S. military support to China.

2. For several reasons it is desirable that the Military Advisory Group be established at an early date. Promptness in initiating an orderly program of military assistance to the Chinese will tend to forestall them from seeking military assistance elsewhere. Continuity in our relationship with the Chinese military can be achieved if the group is functioning prior to the deactivation of U. S. Forces, China Theater. An early completion and approval of the plan of paragraph 1 above would make it possible to utilize military equipment now in the Far East and surplus to the needs of the United States in meeting commitments arising from the plan. Until this equipment is disposed of, a considerable number of U. S. military personnel must be retained overseas to maintain and safeguard it.

3. Although the President's War Powers Act <sup>96</sup> (Public Law No. 722, 77th Congress <sup>97</sup>) enables the President to appoint a U. S. military advisory group to China, Congressional authorization will be required to continue the group in being in peacetime. The War and Navy Departments are hereby requested jointly to propose the necessary legislation.

4. It is recognized that economic and political assistance, as well as military aid, may be necessary in order to achieve our objectives in China. Such economic and political assistance as may be determined to be necessary should be carefully integrated at all times with the military assistance provided China.

5. In negotiating with the Chinese Government for the establishment of the U. S. Military Advisory Group, certain economic and military rights in China should be obtained by the United States in return for U. S. support. Some of these rights are incident to setting

<sup>96</sup> First War Powers Act, approved December 18, 1941 (55 Stat. 838) ; Second War Powers Act, approved March 27, 1942 (56 Stat. 176).

<sup>97</sup> Approved October 1, 1942 (56 Stat. 763), amending Act of May 19, 1926 (44 Stat. 565) "to authorize the President to detail officers and enlisted men of the United States Army, Navy, and Marine Corps to assist the governments of the Latin-American Republics in military and naval matters", as amended by Act of May 14, 1935 (49 Stat. 218).

up the group; others are in general furtherance of United States objectives in China. A list of such rights, which from the military point of view are essential or would be desirable as partial compensation for U. S. military assistance, is attached hereto as Tab to the Annex, page 113.<sup>98</sup>

6. With respect to the Army Advisory Groups, the extent of immediate ground and air assistance to be furnished the Chinese, and the tasks of the group, are relatively clear-cut. In the case of the naval group, however, extensive preliminary discussions with the Chinese will be necessary before the proper nature, size and composition of the Chinese naval establishment and the necessary extent and nature of U. S. assistance thereto can be determined, so that the size and composition of the Naval Advisory Group can be only tentatively fixed at this time.

7. The Joint Chiefs of Staff request that the State Department undertake the necessary action to negotiate the required contracts between the U. S. and China for the establishment of a U. S. Military Advisory Group in China, generally in accordance with the plan proposed herewith.

#### ANNEX TO APPENDIX

##### PLAN FOR U. S. MILITARY ADVISORY GROUP TO CHINA

1. *Object.* To assist and advise the Chinese Government in the development of modern armed forces for the maintenance of internal peace and security and to establish adequate control over liberated areas in China, including Manchuria, and Formosa, and for the fulfillment of those obligations which may devolve upon China in the occupation of Korea and Japan.

2. *Title.* In order to advise and assist the Chinese in the establishment of modern armed forces, there will be organized a special group called "The U. S. Military Advisory Group to China", which will comprise a Naval Advisory Group and Army Advisory Groups. The Army Advisory Groups will be composed of an Army Ground Force Group, Army Air Forces Group and Army Service Forces (Logistics) Group. The Naval Group will be headed by a flag officer of the Navy; the Army Advisory Groups will be headed by a general officer.

3. *Relationship with the head of the Chinese Government.* The heads of the U. S. Naval and Army Advisory Groups will at all times have direct access to the head of the Chinese Government on matters pertaining to their functions and will be the channel of communication between the head of the Chinese Government and the U. S. Military authorities. There will be a designated chairman of the U. S.

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<sup>98</sup> *Post*, p. 596.

Military Advisory Group from among its members to serve as a unified channel of communication with the head of the Chinese Government on all matters of joint concern. This provision in no way affects necessary communication between the head of any of the advisory groups and the head of the Chinese Government or departments of the Chinese Government on matters pertaining wholly to the business of that group.

4. *Duration.* The U. S. Military Advisory Group will be established initially for a period of five years, and will be continued thereafter by mutual agreement of the two governments. The United States Government reserves the right to withdraw partially or completely the U. S. Military Advisory Group and to discontinue U. S. military assistance to the Chinese Government if, in the opinion of the U. S. Government, such assistance is being used in support of an administration or policies not satisfactory to the United States Government.

5. *Organization and functions.* The function of the Advisory Group will be to provide advice and assistance to China on ground, naval, air and logistic matters. The internal organization of the groups, and the coordination between the Army and Navy groups, will be so arranged as to facilitate these functions and to avoid duplication of effort. The Naval Advisory Group will be responsible to the Navy Department on naval matters, and the head of the army groups will be responsible to the War Department on army matters. The heads of the various advisory groups will have access to the appropriate member of the Chinese National Military Council on matters concerning the branch which his group has been detailed to advise and assist.

a. The initial organization of the army groups will include:

(1) An Army Advisory Group headquarters, including the head of the army groups and his administrative and planning personnel, to coordinate the operation and function of the ground, air and logistics sections.

(2) Army Ground Forces Group, to assist in the organization, training and equipping of all ground units.

(3) Army Air Forces Group, to assist in the organization, training and equipping of all air units.

(4) Army Service Forces (Logistics) Group, to assist and advise in the organization, training and equipping of Chinese supply, transportation, and technical development services which are required to provide logistic support to the Chinese ground and air programs.

b. The Naval Advisory Group initially will include representatives of the various bureaus and offices of the Navy Department, including the Marine Corps, and representatives of the Maritime Commission. Until such time as the nature, size and composition of the Chinese naval establishment has been more clearly delineated, and the duties and responsibilities of the Naval Advisory Group clearly defined, the size of the Naval Advisory Group will be limited.

6. *Estimated personnel strength of groups.* The initial personnel strength of the Military Advisory Group is estimated to be:

	<i>Officers</i>	<i>Enlisted Personnel</i>
U. S. Naval Advisory Group . . . . .	100*	200*
Headquarters, U. S. Army Advisory Group (including station complement) . . . . .	110	650
Army Ground Forces Group . . . . .	250	500
Army Air Forces Group . . . . .	400	970
Army Service Forces (Logistics) Group . .	200	500

An advisory group of this size is the minimum necessary during the first two year period of training and organization due to the complexity of its task and the immediate need in China for effective armed forces. After approximately two years, or when the Chinese military organization has been well established and training is well under way, the strength of the Military Advisory Group probably can be considerably reduced. It is anticipated that adjustments will be made periodically in the size and composition of the groups in accordance with changing needs.

7. *Duration of service with Advisory Groups.* Personnel will normally be detailed to the Military Advisory Group for a period of two years, with the option of requesting the extension of their tour for not more than one additional year.

8. *Responsibility to Chinese Government.* No officer or man in the Military Advisory Group shall assume any duties as a result of which he will be responsible to the Chinese Government.

9. *Relationship with Attachés.* On matters other than those pertaining to the Military Advisory Group mission or functions, the Military and Naval Attachés to China will act as representatives of the Secretary of War and the Secretary of the Navy respectively.

10. *Relationship with Ambassador.* The U. S. Ambassador, or in his absence, the Chargé d'Affaires, is the senior representative of the U. S. Government in China. The Military and Naval Attachés, as members of the Chief of the Diplomatic Mission's Staff, and as the representatives of the Secretary of War and the War Department, and of the Secretary of Navy and Navy Department, act as Military and Naval Advisors to the U. S. Ambassador to China. The Chiefs of the Army and the Navy Advisory Groups will have direct access to the Ambassador and should keep the Ambassador and the Military Attachés informed of activities and problems pertaining to their mission.

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\*These figures are tentative; it is considered that an ultimate strength of 300 officers and 400 enlisted men may be required. [Footnote in the original.]

## TRAINING AND LIAISON

11. *Training.*

*a.* An Army service school system, including necessary technical schools, for the training of selected Chinese personnel, will be developed and established in China. U. S. doctrines and methods will be used in these Chinese service schools insofar as applicable. Personnel of the Military Advisory Group will not be responsible for the administration and operation of the schools, but will serve in an advisory capacity only.

*b.* The preliminary naval training of the Chinese will be accomplished, in the main, at a suitable base on the China coast, and will be conducted by a self-sustaining training detachment from the Pacific Fleet Training Command, assigned to the operational control of the head of the Naval Advisory Group. Training afloat will be conducted principally in ships destined for transfer to the Chinese Navy, with the responsibility for these ships and for the training conducted therein resting with the U. S. Navy until such time as they are transferred to the Chinese with Chinese crews.

*c.* The Chinese Government will be permitted to send selected students to ground, naval, and air technical schools in the United States. Students will be subject to the same regulations as are U. S. students and may be returned to China without substitution for violation thereof. Numbers and detailed arrangements will be as agreed from time to time between Chinese authorities and the Secretary of War or the Secretary of the Navy acting on the advice of the heads of the Army and Navy Advisory Groups and will be kept at a minimum for essential requirements. The procurement of the requisite interpreters to enable training to be initiated will be undertaken as a matter of high priority.

12. *Liaison.* In order to assist and advise the Chinese in the development of their armed forces, it will be necessary for members of the Military Advisory Group to participate in a liaison capacity with major field organizations. Liaison will normally be restricted to the highest levels so as to minimize the number of Americans needed and to avoid involving American personnel in operational aspects except in the case of liaison with the Chinese air and naval forces and liaison on technical Services of Supply matters. Personnel from the Air Section may be placed in all echelons down to and including squadrons in order to supervise training operations. Personnel of the Naval Advisory Group will necessarily have to be placed aboard all ships destined for transfer to the Chinese Navy and retain responsibility for these ships until such time as they can be transferred to the Chinese.

## EQUIPMENT AND PAY

13. *Equipment for China.* Military equipment will be provided from U. S. and Chinese sources insofar as practicable. The Chinese will procure U. S. military equipment and supplies only as agreed by appropriate U. S. governmental agency.

14. *Financial arrangements.* The contracts establishing the U. S. Military Advisory Group to China will include arrangements, financial and otherwise, for the discharge by the Government of China of the obligations incurred in connection with supplies furnished and services rendered by the United States.

15. *Pay and allowances of U. S. personnel.* All U. S. personnel will be on active duty with the U. S. Army and Navy and will be paid regularly authorized pay and allowances by the United States Government and shall be allowed the same credit for longevity, retirement and all other benefits. The Chinese Government will pay an additional allowance, payment of which will be effected by U. S. Army and Navy disbursing officers from funds furnished by the Chinese Government to the Government of the United States. The amount of such allowance shall be in U. S. dollars and shall consist of a flat 25% of an individual's pay. In addition, the Chinese Government will furnish suitable quarters for personnel and their dependents as well as office and warehouse accommodations, and labor requirements.

#### JURISDICTION OVER MEMBERS OF ADVISORY GROUP

16. U. S. service military or naval courts and authorities will have exclusive jurisdiction over all members of the U. S. armed forces serving with the Military Advisory Group and over American nationals employed by or accompanying these forces.

#### TAB TO ANNEX

#### U. S. MILITARY ADVISORY GROUP TO CHINA

#### RIGHTS OR CONCESSIONS DESIRED FROM CHINA

1. In negotiating contracts with the Chinese Government, consideration should be given to obtaining certain economic and military rights or concessions in China in return for U. S. support, past and future. It is recognized that the concessions or settlements desired by the Joint Chiefs of Staff represent but a portion of those which must be presented by the U. S. Government as a whole. The military list alone might represent in the eyes of China, more than the value of the U. S. support they are seeking. An effort has therefore been made to separate the items considered militarily essential from the standpoint of operation of the Military Advisory Group from other items, highly desirable though they may be, which are not required in connection with the Military Advisory Group. These other items might be partially acquired in connection with other negotiations with the Chinese.

2. *Essential Concessions:* Those concessions or rights considered essential from the military point of view and which are incident to the plan for U. S. military assistance to China include the following:

a. The Government of China shall not accept during the period of this contract any military advisory group, mission or similar representatives from other nations (other than customary military and naval attachés) without prior consultation with the U. S. Government.

b. Such supplies, services and facilities as may be required by the U. S. Military Advisory Group will be furnished by the U. S. Government except for necessary quarters for personnel and necessary buildings for the group and labor, all of which will be furnished by the Chinese Government. The decision as to what supplies, services and facilities are necessary for the advisory group will be made by the U. S. Government in consultation with the Chinese Government. The cost of all such supplies, services and facilities will be borne by the Chinese Government.

c. China will impose no import, excise, consumption or other tax, duty or impost, on material, equipment, supplies, or goods shipped by the U. S. from sources outside China to be used or consumed by U. S. military personnel in China. China will allow exemption of U. S. military cargo from inspection and all forms of taxation.

d. The Government of China will assist in the purchase of supplies and in procurement of leases by the U. S. Government for U. S. military, naval and air personnel in China.

e. The unrestricted use of U. S. military and governmental communications facilities and cryptographic systems will be granted U. S. military personnel and government agencies.

f. Military Advisory Group personnel will be granted the right to operate U. S. aircraft, vehicles, ships and craft over and through Chinese territory and waters.

g. China will refrain from supporting armed forces, not sponsored by the U. S., when such support would interfere quantitatively or qualitatively with the effectiveness or efficiency of the U. S. sponsored units.

h. The Chinese will agree that purchases from foreign powers other than the U. S. of arms, ammunition and military equipment will be made only after consultation with the U. S. Military Advisory Group.

i. In the event that both governments shall agree that it is desirable that U. S. personnel receive their pay and allowances in yuan, rather than U. S. dollars, the Chinese Government will agree to make available a rate of exchange which will enable an equitable purchasing power to be maintained at all times for U. S. military personnel.

3. *Other Important Concessions:* Those concessions or rights which are considered desirable from a military point of view in furtherance of U. S. objectives but which are not essential to the success of the plan include:

a. Development of Chinese commercial aviation, airways, communications and navigation systems under U. S. supervision.

b. Five freedoms of commercial air operations.

c. Settlement of Lend-Lease and Reciprocal Aid accounts, including disposition of items in present Lend-Lease pipeline and inventory.

d. Agreement for disposition of fixed installations; such as airfields, Ledo Road and pipeline partially or wholly constructed with U. S. funds.

e. Assumption by the Chinese Government of responsibility for claims arising out of U. S. military operations in China.

f. Agreement to furnish military, economic, and scientific information about China to the United States.

g. Preferential treatment for U. S. Government, citizens, and commercial organizations in respect of pipelines, roads, airbases, and other installations in China constructed by or at expense of United States.

h. Free access to China coast ports, including harbor facilities, with minimum pilotage rates.

i. Assurance of access for U. S. citizens and commercial organizations, on at least equal terms with other nations and their nationals, to raw materials in China.

j. Agreement to refrain from discrimination against American persons, trade, investments and other property rights and interests on the basis of "most favored nation" treatment of other countries.

k. China not to pursue or support any policy or measure, which has the effect of denying us access to, or the ready processing of strategic or critical raw materials either for current use or for future stockpiling.

l. Government of China not to divulge to any other foreign nation any classified information or permit any other nation to have access to classified equipment provided by the U. S. for China.

m. Settlement of "no rate" Chinese fund account.

n. Right to photograph and make aerial maps of those portions of China proper, including Inner Mongolia and Manchuria, which remain unmapped.

o. The right to maintain in China adequate weather facilities to meet the needs of U. S. armed forces in the Pacific and in adjacent areas.

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893.85/10-2745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*<sup>99</sup>

CHUNGKING, October 27, 1945—1 p. m.

[Received October 27—8:40 a. m.]

1878. Transportation is one of the most critical needs in China today affecting every phase of relief and economic rehabilitation. To illustrate only one aspect of situation, serious shortage of coal exist[s] in various coastal cities, threatening suspension of all public utilities, whereas ample coal is above ground to supply needs the [with?] shipping facilities available. The Chinese Government understands that there are some fifteen or twenty N-3 SA-2 2800-ton ships belong-

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<sup>99</sup> Copy transmitted by teletype, October 29, by Henry L. Deimel of the Shipping Division to Huntington T. Morse, Assistant to the Administrator of the War Shipping Administration (Land), with a request for advice.



ing to Maritime Commission now lying idle. The Government is willing to purchase these ships on such terms as the Maritime Commission considers fair. In other words it will take over the ships and allow the Maritime Commission to set the price. The ships are urgently needed immediately and the Embassy has been asked to request the Department to make personal appeal to President Truman to ascertain whether or not ships can be transferred by Executive Order without awaiting legislation by Congress. Embassy considers situation serious enough to fully warrant short circuiting any red tape that might be involved. Prompt action and reply is urgently and respectfully requested.

ROBERTSON

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893.00/10-3045 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, October 30, 1945—4 p. m.  
[Received October 31—10:05 p. m.]

23. Following is a brief preliminary summary of the political situation in this area.

Formal surrender of Japanese military forces at Tientsin occurred on October 6 and at Peiping on October 10. The Third Amphibious Corps of the Fleet Marine Forces is now established at Tientsin, Peiping, Chinwangtao and Tsingtao.

A skeleton staff of Chinese Government officials is installed at Tientsin and they have shown a generally cooperative spirit but are inadequate in their numbers to cope with the problems presented. Situation is quiescent. Small contingents of Chinese troops [at] Shan-haikwan are cooperating with local police and Marines in maintaining order within the city. Small clashes have occurred between Japanese and Chinese civilians but the situation in this respect is now improved. Several armed clashes have occurred on the outskirts of the city between Chinese police and "bandits" suspected of being Communists who control the countryside. Depredations presumably by Communists along railway and motor road to Peiping are frequent but not serious. The railway to Chinwangtao is under constant attack by Communists. [Depredations] there are greater than ever against the Japanese. Marines depend almost entirely on former puppet and [Japanese troops] for maintenance of order in towns along the line. Situation in that area may become serious unless adequate number of Chungking troops arrive soon.

My comments will follow.

MEYER

811.20/11-145

*Memorandum Prepared in the War Department*<sup>1</sup>

[WASHINGTON, November 1, 1945.]

QUESTIONS BY THE WAR DEPARTMENT TO OBTAIN STATE DEPARTMENT  
GUIDANCE

[Here follows the first question and part of the second, regarding United States occupation forces in certain countries.]

b. (2) In connection with granting our Allies certain rights in Japan, what, if any, corollary involvement in continental affairs in the Far East do we foresee and accept? From a military point of view, this determines what military steps must be designed against unacceptable aggression in the Orient. For instance, it would be most valuable to have a clear cut statement of minimum interests from which the U. S. will not retreat in the event of a clash of interests in the Far East, particularly concerning Manchuria, Inner Mongolia, North China and Korea.<sup>2</sup>

[Here follows question regarding Air Transport Command operating in occupied countries.]

893.00/11-145 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 1, 1945—3 p. m.

[Received November 2—8 a. m.]

25. My 23, October 30, 4 p. m. The mission of American Marines here under their present directive of disarming Japanese and maintaining order at points occupied will soon be completed but meanwhile their position daily takes on more of political aspect. This development is natural and unavoidable in the circumstances and presumably was contemplated when Marines were sent in here. Any proposal now for the withdrawal of the Marines from this area should be given prior serious consideration as situation here is radically different from other areas of China where announcements of early withdrawal of American Forces have already been made. American Armed Forces are so closely associated with the tenuous political situation in this area that a premature withdrawal would produce serious political consequences not only for the present but for the future.

[MEYER]

<sup>1</sup> Transmitted to the Secretary of State by the Secretary of the Navy in his memorandum of October 9, not printed.

<sup>2</sup> For reply to section b (2) by the Department of State, see memorandum prepared in the Offices of European and Far Eastern Affairs, November 29, p. 688.

Nanking Embassy Files, Lot F-73 : Telegram

*The Chief of Staff, United States Army (Marshall), to the Commanding General, United States Forces, China Theater (Wedemeyer)*

[WASHINGTON, November 3, 1945.]

[Warx 80975.] Representation to ComGenChina of Communists through General Yeh has given rise to certain questions on the actual situation. The difficulties of obtaining accurate information and evaluation thereof are appreciated but any light on the following would be most helpful in clarifying situation for us:

*a.* What have been the activities of the Marines on the railroad between Chinwangtao and Shanhaikwan? If there has been activity was it essential to the task of assisting Chinese Armies into their occupation areas to care for the Japs?

*b.* What is the earliest date Marines could be withdrawn from each of the various areas without compromising their mission?

*c.* What is the Chinese plan for occupation of key points in Manchuria?

*d.* What is your estimate of effect of withdrawal of Marines on internal stability of North China?

*e.* Furnish any other information on the actual situation or estimate of future developments which you think would be of assistance.

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893.00/11-445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 4, 1945—3 p. m.

[Received November 5—1: 23 p. m.]

1920. Military Attaché's report for week ending October 27, delayed in receipt, briefly summarized below:

Hostilities in Shantung between Government and Communists increased; Govt has not enough forces for actual control of province and fluid situation developing; in Shantung and northeast area generally constant small-scale attacks against railways attributed to Communists. No appreciable hostilities in Hopei during week, but Govt troops continued movement into province. Withdrawal of Communist New Fourth Army elements north from Kiangsu and Chekiang is proceeding in accordance with agreement between Generalissimo and Mao; withdrawal is one of convenience as well as agreement: Communist position in Chekiang was growing untenable and danger of isolation from Eighth Route Army in north was increasing; these New Fourth Army Forces will now augment strength of other Communist forces in north.

Summary of Military Attaché's report for week ending Nov. 3 follows: Threat of large-scale civil war in China seemed to be growing during past week as fighting was reported in several regions. Communists assert that Central Govt Armies have attacked all Communist "liberated" areas and thus far have succeeded in driving troops of New Fourth and Eighth Route Armies out of 31 cities in 10 different provinces. Yen-an also alleges that Central Govt troops by continual attacks are hindering the northward withdrawal of New Fourth Army provided for in recent agreement. Reports from Central Govt state that cities in Shansi, Shantung, Chahar, Suiyuan, Hopei, and Honan are being attacked in strength by Communists.

Principal factor in crisis now taking shape in North China continues to be disruption of railway communication. That situation is grave is clearly demonstrated by postponement of convocation in Chungking of newly organized Political Consultative Council, in deference to discussions between Central Govt and Communists concerning a military truce. Principal weapon of Communists in their efforts to prevent Central Govt occupation of areas dominated by them has been effectiveness of Communist troops against railroads in these areas. With arrival of Central Govt troops in Shantung and Hopei provinces, position of Communists there is believed to be deteriorating. Obviously, for Communists to desist from exploiting their advantages of position would be military suicide. Consequently, during current discussions they have offered to refrain from attacking lines of communication only if Central Govt promises to stop movement of troops into North China. Central Govt has refused flatly to do this, and no agreement has been arrived at. Indications exist that situation in Suiyuan and Shansi has taken on a new urgency and that that area may become another center of serious internal strife. In a series of contradictory assertions, responsibility for aggressive action in these provinces has been shunted from one side to the other. Because of increasing reluctance of either party to compromise its military position by making concessions in any areas, it appears at present almost hopeless that any permanently satisfactory solution can be reached.

ROBERTSON

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196.1/11-545 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 5, 1945.

[Received November 5—6:28 p. m.]

Following received this morning from American vessel [S. S.] *George R. Holmes* at Chinwangtao:

“Pass to Consulate, Shanghai.

Captain C. W. Danton, master *George R. Holmes*, accompanied by chief officer, purser, gunnery officer Lieutenant J. D. Mays, U. S. N., and Captain Taylor, security officer, disappeared while on shore leave near Shanhaikwan about 4 p. m. [on] 4th. They are reported held by Chinese Communists in city of Shanhaikwan. Chinese Communists' commander refused to permit American Marines to enter city in search of Captain Danton and party. Imperative you act at once to secure their release. Have been advised some members seriously wounded during capture. Ship now lying at Chinwangtao docks.

Respectfully (signed), Paul Hicks, Second Officer.”

Have communicated this message to Army and Navy authorities Shanghai. Embassy may desire make representatives [*representations?*] in appropriate quarters Chungking looking to their release.

Sent to Chungking,<sup>3</sup> repeated to Department.

JOSSELYN

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Marshall)*

SHANGHAI, 5 November 1945.

CFB 13529. Following message received yesterday from Generalissimo and our answer thereto is repeated paraphrased for your information.

From Gimo “As a result of the recent serious developments in North China I desire that the following sea moves of armies be accomplished: Eighth Army to Tangku instead of Tsingtao as now planned. Sixty-second Army to Tangku instead of Formosa as now planned. If both armies cannot satisfactorily be landed at Tangku area, second choice is for the 62d Army to go to Tsingtao.

“The 31st Army will go to Formosa from its present location near Foochow.

“Urgent that Seventh Fleet land these armies at Tangku in the immediate future.”

Our reply follows:

“The granting of your most recent request cannot be done.

“In the initial stages of planning our combined staff determined the requirements for troops to disarm and accept the surrender of the Japanese in the areas concerned. Ample Central Government troops now have arrived in areas of North China except Tsingtao (where the Eighth Army will arrive about 17 November according to present plans) to complete the mission assigned to United States Marines.

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<sup>3</sup> As telegram No. 45; also repeated to the Consul at Tientsin, as telegram No. 17.

“Dissident elements and not Japanese are the cause of the present serious trouble and therefore the move of additional troops is not within the scope of our mission.

“We could not justify to our Government the delay in release of shipping involved in such a move.”

To acquaint you more fully with the reasons which prompted our action, the following facts are presented :

*a.* The Theater Commander has directed that all U. S. personnel be evacuated from French Indo-China as early as possible. Target date to complete this evacuation is 15 November. If 62d Army is moved to North China instead of Formosa it will be necessary to load in Shanghai and ship to Haiphong winter clothing, trucks and motor maintenance personnel not now planned for the move to Formosa. To accomplish this will set back loading date of 15 November by several days. Issue of winter clothing at port of embarkation is necessitated by type of shipping to be used (LST's). Shipping presently allocated for move of 62d Army necessitates return to Haiphong for second load. Estimated that minimum time to close Army in North China port will be 40 days or close to 1 January 1946. Because of unsettled conditions in FIC<sup>4</sup> it is not desired to retain Americans there until that late date.

*b.* The substitution of the 31st Army, consisting of two poorly trained and equipped student divisions, for the 62d Army in Formosa to assist the 70th Army in the disarming of 275,000 Japanese military personnel, the security of a large number of Japanese civilian nationals, and the occupation of such a large and important island is not considered sound.

*c.* The delay in the release of the shipping allocated to the 62d Army which would ensue as a result of the move of that Army to a North China port would directly affect present plans for its use in MAGIC CARPET and the repatriation of the Japanese.

*d.* In my CFBX 12638,<sup>5</sup> I recommended that Marine Forces in China be withdrawn commencing 15 November. This recommendation was based on the fact that the areas now occupied by the Marines will be reached by Central Government Forces by that date in sufficient numbers to take over the responsibility for the Japanese forces in the areas involved. To comply with the request of the Generalissimo to move both the Eighth and 62d Armies to Tangku would leave the Tsiangtao area, now occupied by the 6th Marine Division, without Central Government Forces and unjustifiably delay the withdrawal of the Marines from China. The present target date for the

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<sup>4</sup> French Indochina.

<sup>5</sup> Not found in Department files.

Eighth Army to close in Tsingtao is 17 November. Gimo's alternate choice of Tsingtao as Port of Debarkation for 62d Army in event not feasible to land both Armies at Tangku is not acceptable in that delay attendant on this move as explained by paragraph *a* above again unjustifiably delays the withdrawal of Marines from China.

*e.* The following extracts define part of the current China Theater Mission:

Warx 51593 (25 [24] October 1944) <sup>6</sup> paragraph 3 (*c*) "You will not employ United States resources for suppression of civil strife except insofar as necessary to protect United States lives and property".

Warx 47513 (10 August 1945) <sup>7</sup> paragraph 1 *b*. "All of its provisions apply only in so far as action in accordance therewith does not prejudice the basic U. S. principle that the United States will not support the Central Government of China in fratricidal war".

Paragraph 4 "U. S. Forces will turn over points in China liberated by them to agencies and forces accredited by the Central Government of China".

Paragraph 5 "It is desired that insofar as permitted by military considerations the surrender of Japanese Forces in China, whether complete or piecemeal, will be to Generalissimo Chiang Kai-shek or his representatives. U. S. Commanders under you may at your discretion and with the approval of the Generalissimo be authorized to accept temporarily for the Generalissimo local surrenders of Japanese Forces. The principle will be that Japanese Forces in China surrendering to any U. S. Commanders will be turned over to the Chinese Central Government subject to the assurance of satisfactory arrangements and treatment on the part of the Chinese".

Paragraph 6 "You will assist the Central Government in the rapid transport of Chinese Central Government Forces to key areas in China".

Our mission in North China will be accomplished upon the arrival of the Eighth Army in Tsingtao. Sufficient Central Government Forces will then be present in all key areas initially occupied by United States Marines to warrant withdrawal of the Marines. Any additional Central Government Forces will be employed unquestionably against Communist forces in areas adjacent to those now occupied. Transport of troops for such employment is in contradiction to our mission to refrain from actions which could be interpreted as lending close support to the Central Government in instances of civil strife.

*f.* Therefore we have disapproved this request and other similar requests and shall continue to do so under our present mission. Request this message be acknowledged and our decision confirmed.

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<sup>6</sup> *Foreign Relations*, 1944, vol. VI, p. 178.

<sup>7</sup> Telegram from the Joint Chiefs of Staff to the Commanding General, U. S. Forces, China Theater, p. 527.

893.00/11-645

*Minutes of the Meeting of the Secretaries of State, War, and Navy*[Extracts] <sup>8</sup>

[WASHINGTON,] November 6, 1945.

Present: The Secretary of State  
 The Secretary of War, accompanied by Assistant Secretary  
 of War Mr. McCloy and Colonel McCarthy  
 The Secretary of the Navy, accompanied by Lieut. Colonel  
 Correa  
 Mr. Matthews

## TRANSPORTATION OF ADDITIONAL CHINESE ARMIES TO NORTH CHINA

MR. McCLOY said that a cable <sup>9</sup> had just been received from General Wedemeyer which had been transmitted to the State Department on a lower level which he felt should receive immediate consideration at the top level. He said that he thought it involved the making of a basic decision as to how far this Government is going in its support of the Kuomintang. In the cable General Wedemeyer stated that the Generalissimo had requested American air transport of another Army to North China. General Wedemeyer expressed the belief that Chiang has sufficient troops in North China to handle the communists unless they receive strong support from the Russians, that no further troops should be transported in American planes and that we should withdraw our Marines from North China. MR. McCLOY said that the basic decision involved was how far we should back Chiang in his efforts to unify the country and he pointed out that we have already a considerable investment in this policy. He said that wherever our flag flies this is evidence of American support and greatly strengthens Chiang's prestige. He went into some of the problems of China pointing out that there are nearly 2 million Japanese soldiers and another 2 million Japanese civilians and technicians to be repatriated. This presents an enormous migration problem and he does not believe that the Chinese have the staff or ability to handle it. He said he did not know what the solution should be but he felt that a prompt decision on a high level must be made. As the matter now stands General Wedemeyer has declined to transport the additional Army and favors the withdrawal of our Marines. MR. BYRNES inquired what effect the Marine withdrawal would have. MR. McCLOY said that he thought that Chiang's prestige would suffer. He is likewise worried about the matter of controlling the Japanese Army which he feels is still very cocky; it is an undefeated Army and quite different in its morale from

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<sup>8</sup> Sections omitted concern areas other than China.

<sup>9</sup> *Supra.*



those in Japan or elsewhere. MR. BYRNES inquired what would be the justification of our transporting the additional Army since we have no commitment to do so. Is it [*the Army*] really necessary to secure Japanese surrender? MR. McCLOY felt that Chiang's real need of our aid is to increase his Army's strength in North China against the communists. He fears that opportunity might be given to the Soviets to say there is chaos and that, therefore, they can not withdraw from Manchuria. MR. McCLOY, in reply to a question, said that while there were many stories as to the extent of Russian support of the communists he had nothing tangible or hard on the subject. MR. BYRNES remarked that we would seem to be involved only to the extent of furnishing the transportation. MR. McCLOY said this would be taken as a highly significant step and as evidence throughout the Far East of our continued support for Chiang. He said that he is seriously worried about Manchuria and has grave doubts as to the Chinese ability to administer and absorb the area. They lack technicians. If chaos ensues then the whole agreement with Russia might fall through and give the Soviet an excuse to remain in Manchuria. One solution, he said, might be to permit the Japanese technicians who are now in the area to remain. He said that the Kuomintang must have our support if it is to be able to cope with the situation. If the Russians, however, decide to give active support to the Chinese communists then we are "in a real mess". MR. PATTERSON said that he felt that it would constitute a very important aid to Chiang to lend our planes to transport this Army. On the whole he was inclined to follow the recommendations of the man on the spot, General Wedemeyer, who opposed the furnishing of such transportation.

196.1/11-745 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 7, 1945—4 p. m.

[Received November 7—8:12 a. m.]

49. Reference my 45, November 5.<sup>10</sup> Following additional information received through United States Army as confidential material. Four of the party were returned from Shanhaikwan on November 5 by the French and are now at Chinwangtao on board the steamship *George R. Holmes*. The Chief Officer, A. S. Oko, was wounded and is in a French hospital at Shanhaikwan. Reports from the First Marine Division are that the party had obtained a jeep from the Chinese National Army and were proceeding toward Shanhaikwan

<sup>10</sup> See footnote 3, p. 603.

on November 4 when they were fired upon by Chinese Reds and Chief Officer wounded.

Sent to Chungking, repeated to Dept and Tientsin.

JOSSELYN

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893.85/11-2445

*Memorandum by Mr. Huntington T. Morse, Assistant to the Administrator of the War Shipping Administration, to Mr. Henry L. Deimel of the Shipping Division*

WASHINGTON, November 7, 1945.

Reference is made to your teletype of October 29th<sup>11</sup> transmitting confidential dispatch from the American Embassy, Chungking, No. 1878 of October 27th. In this connection, and confirming telephone conversation, the War Shipping Administration has submitted to representatives of the Chinese Government a list of vessels presently in Eastern waters which are privately-owned by American citizens. Upon receipt of advices from the Chinese as to the suitability of these vessels for their purposes, the Commission's Division of Vessel Disposal and Government Aids will confer with representatives of the Chinese in an effort to consummate arrangements incident to the acquisition of the vessels by the latter.

In order to meet bulk cargo movements on the Chinese coast, principally of coal and rice, the War Shipping Administration is making available five Libertys and the Ministry of War Transport is making available six equivalent ships already in the Chinwangtao coal program, and hope to be able to provide additional tonnage to meet the balance of the program which it is estimated will require twenty ships all told.

In addition to the above, the Ministry of War Transport advises that they aim at making available one hundred thousand gross tons of coastal shipping for the China coast, of which fifty thousand should be achieved by the end of the year and the remaining portion by May of next year.

The Maritime Commission has authorized offering ten N-3 type vessels for sale under competitive bid, under conditions which will permit United States citizens and foreign interests to submit bids.

Recently officials of the War Shipping Administration were called upon by J. Z. Huang, Attaché of the Chinese Embassy, in respect to the requirements for coastwise tonnage for China, who referred to

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<sup>11</sup> See footnote 99, p. 598.

representations made by His Excellency, T. V. Soong, to the President in respect to the possible rapid transfer of vessels urgently needed by China under some emergency procedure. In this connection, I understand that the Foreign Economic Administration had been approached with the thought that such transfer could be accomplished under Lend-Lease. However, our explorations here indicate that it does not appear feasible at this juncture, so far as the Maritime Commission and War Shipping Administration are concerned, to take any other action than that heretofore indicated, and we have so advised Mr. Huang.

Representations in respect to Chinese requirements for shipping have been received by the Maritime Commission and the War Shipping Administration from various sources, including the Chinese Supply Commission, the Chinese Embassy, representatives of C. N. R. R. A.<sup>11a</sup> direct from Chungking, and it would appear most desirable to have the State Department ascertain and advise us in respect to the proper channels through which our discussions and any possible negotiations with the Chinese Government should be pursued in connection with the purchase of vessels.

HUNTINGTON T. MORSE

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893.00/11-845

*Memorandum by the Under Secretary of State (Acheson) of a Telephone Conversation With the Secretary of the Navy (Forrestal)*

[WASHINGTON,] November 8, 1945.

Secretary Forrestal telephoned me this morning to say that he expected there might be serious trouble at any moment in connection with the Marines in North China. He said the reason he thought so was that according to an unverified report some Marines had gone looking for a party of people from an American merchant ship who had been kidnapped, supposedly by Chinese Reds. He was afraid that if the Marines were shot at, they would shoot back and Secretary Forrestal wanted us to know there was the probability of trouble at any moment.

I communicated this to the Secretary and to Mr. Vincent. Mr. Vincent called to my attention telegram No. 45 from Shanghai, and an unnumbered telegram from Shanghai of November 5, which indicated that this particular incident is out of the danger stage.

DEAN ACHESON

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<sup>11a</sup> China National Relief and Rehabilitation Administration.

Marshall Mission Files, Lot 54-D270 : Telegram

*The Operations Division, War Department General Staff, to the Commanding General, United States Forces, China Theater (Wedemeyer)*

[WASHINGTON,] 8 November 1945.

War 82089. Reurad, CFB 13529. Confirmation of your decision in reference message has been delayed because of consideration of the China problem by JCS. JCS now considering Planners proposal that SWNCC be queried for political guidance on following:

*a.* Does this Government's policy involve continuation of military assistance to Central Government until situation in Manchuria and North China has been stabilized?

*b.* What is estimate on date for completion of negotiation with Chinese Government on U. S. Military Advisory Group to China?

*c.* Should Marines come out of China 15 November or await further clarification of the situation?

In the discussion of the proposed SWNCC paper it is pointed out that the original plans for occupation of North China and Manchuria were based on the task of disarming and repatriating the Japanese. It now appears that their major immediate task will be to insure control of areas by the National Government and the forces already moved are being utilized accordingly. Possible Russian interest and intervention in the situation are mentioned as well as the danger to the attainment of U. S. objectives in China if Central Government control of the area is not established.

The Planners have also recommended to the JCS that a message be sent to you directing that the theater not be inactivated until the Advisory Group is established, that Marines be retained pending State's decision on policy and that meanwhile you carry on in accordance with existing directives.

It is expected that Mr. McCloy will present a paper to SWNCC in the same general vein of the proposed JCS paper. You should expect JCS action in a few days and State action next week.

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196.1/11-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 8, 1945—3 p. m.

[Received 3:44 p. m.]

1943. Upon receipt Shanghai's 45, November 5 (sent Chungking; repeated to Department) we inquired of General Caraway, commanding, Chungking, whether Army had taken up matter with Communists through Army liaison group at Yen-an; he had not heard

of incident but said he would immediately make inquiry of headquarters Shanghai and advise us. In meantime General Chou En-lai, Communist delegate here, apparently having heard from foreign press man here of an incident in Shanhaikwan involving Communists, sent his representative, Wang Ping-nan, to Embassy for information. Sent Department; repeated Shanghai, Tientsin. We informed Wang of report contained in Shanghai's reference telegram; Wang said that General Chou would promptly telegraph Yen-an and ask for investigation.

We have now received Shanghai's 49, November 7, repeated Department and Tientsin, containing confidential Army report on incident.

ROBERTSON

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Joint Chiefs of Staff to the Commanding General, United States Forces, China Theater (Wedemeyer)*<sup>11b</sup>

[WASHINGTON,] 9 November 1945.

Warx 82254. Schedule for removal of Marine Forces from China and deactivation of China Theater refers.

The Joint Chiefs of Staff consider it undesirable that the China Theater be deactivated until the U. S. Military Advisory Group to China has been established.

Question of withdrawal of Marines has been referred to State-War-Navy Coordinating Committee for the political implications. Joint Chiefs of Staff do not desire that withdrawal commence before views of State Department have been ascertained. You will be further advised.

Pending further instructions, military assistance will continue on basis of existing directives.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Marshall)*

[SHANGHAI,] 9 November 1945.

CFBX 13955. 1. The interpretation to be placed on the word "China" in the first sentence of paragraph 6 of Warx 47513<sup>12</sup> is the subject.

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<sup>11b</sup> Sent also to Fleet Admiral Chester W. Nimitz, Commander in Chief, Pacific Ocean Areas.

<sup>12</sup> Telegram of August 10 from the Joint Chiefs of Staff to the Commanding General, U.S. Forces, China Theater, p. 527.

The Generalissimo is putting heavy pressure on this headquarters to have U. S. planes and personnel move Chinese troops into and within Manchuria. We have always maintained that the reoccupation of Manchuria by the Chinese from the Russians was a problem for solution by the Chinese and Russian Governments and that the mission of China Theater did not contemplate that we should furnish either liaison personnel for Chinese troops in Manchuria or provide U. S. resources for movement of Chinese troops within Manchuria. U. S. resources have been and will continue to be used for movement of Chinese forces to the borders of Manchuria. Our interpretation has been based upon the following:

A. In General Order number 1 (Warx 48672),<sup>13</sup> para. *a* reads as follows:

“*a*. The senior Japanese Commander of all ground, sea, air and auxiliary forces within China (excluding Manchuria), Formosa and French Indo-China north of 16 degrees north latitude shall surrender to Generalissimo Chiang Kai-shek.”

B. Paragraph *b* of this same General Order reads as follows:

“*b*. The senior Japanese commander of all ground, sea, air and auxiliary forces within Manchuria, Korea 38 degrees north latitude and Karafatao shall surrender to the Commander in Chief of Soviet forces in the Far East.”

C. On 26 August 1945, the following article appeared in the Central News Agency, China.

“Minutes: Moscow August 14, 1945.”<sup>14</sup>

At the fifth meeting held on July 11, 1945, between Generalissimo Stalin and Doctor T. V. Soong, the question of the withdrawal of Soviet troops from Chinese territory after the participation by the U. S. S. R. in the war against Japan was discussed.

Generalissimo Stalin would not like to have a clause in the agreement governing [*covering?*] the entry of Soviet forces into Manchuria which provides for the withdrawal of Soviet troops within 3 months after the defeat of Japan. However, he said that after the capitulation of Japan, the Soviet troops would commence to withdraw within 3 weeks.

Doctor Soong asked how long it would take to complete the withdrawal, Generalissimo Stalin said that he thought the withdrawal could be completed in not more than 2 months.

Doctor Soong further asked whether the withdrawal would be definitely completed within 3 months. Generalissimo Stalin stated 3 months would be the maximum for the completion of the withdrawal.”

<sup>13</sup> See directive by President Truman to the Supreme Commander for the Allied Powers in Japan (MacArthur), August 15, p. 530.

<sup>14</sup> For text of minutes, see Department of State *Bulletin*, February 10, 1946, p. 201.

D. Recent agreements between Chinese General Hsung and Russian General Malinofsky stated that Russian troops would be withdrawn progressively from south to north and that by 20 November all Soviet troops would be withdrawn to a line through Mukden, by 25 November to the vicinity of Harbin and by the end of November to Soviet territory.

2. In view of the above, this headquarters has interpreted the words, "key areas in China" to exclude Manchuria. As a result, we have materially assisted the Chinese in the occupation of China Proper, northern French Indo-China and Formosa and we have continually informed the Chinese that arrangements to reoccupy Manchuria from the Russians was a purely Chinese-Russian problem. As a result we have withdrawn and will continue to withdraw our liaison personnel as soon as Chinese forces reached Manchuria and we will not use U. S. resources to redeploy Chinese forces within Manchuria.

3. Request that our interpretation be confirmed as a matter of urgency since the Generalissimo is pressing us to put American liaison personnel into Manchuria with Chinese forces and to use American resources in transporting Chinese forces within Manchuria.

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893.00/11-1145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 11, 1945—9 a. m.

[Received 2:19 p. m.]

1963. Brief summary of Military Attaché's report for week ending November 10 follows: Central Government-Kuomintang [*Communist Party?*] impasse seems to have reached critical stage during past week, as no progress was made toward solution. Negotiations in Chungking were suspended, while Communists, presumably, considered possible modifications of their demand for immediate cessation of Central Army troop movements into "liberated" areas. Although discussions have now been resumed, it is too early to evaluate possibilities of satisfactory compromise. Since marked conflict is increasing on all fronts, it would be difficult to exaggerate grave significance of these renewed efforts to reach solution. With large areas of China already in state of civil war, it is questionable how much longer these two inflexible and determined political forces can continue to discuss peace.

In Taiyuan, Shansi, area large scale operations are in progress, as Communists, having failed to capture Kweisui in their initial attack, move with announced intention of first taking Paotow and then attacking south to Taiyuan, capital of Shansi. In central Shansi,

where Communist troops of 358th Brigade have been attacking towns south of Taiyuan, along Tungpu Railroad, fierce fighting is reported. Near Hopei-Honan border Communist advances against several large towns have been thrown back and they have withdrawn to make stand in mountains. In northeast China Communists fight to retain their military advantage and destruction of railways in that area continues unabated. It is reported that two armies of 11th War Zone were attacked and routed by Communists near Honan-Hopei border and their commanders captured. Troops of Central Govt which entered Hopei through central Shansi and reached vicinity of Shihchia-chuang are reported to be moving south on Pinghan Railway, apparently in an effort to assist their defeated comrades and clear way for passage of Central Govt forces. It is important to note that one of Communists' strongest units, 129th Division, is engaged in these operations, a fact which, added to importance of this vital railway corridor leading to North China and Manchuria, is an indication of reason for seriousness and intensity of these clashes. Vigorous accusations continue to pour forth from Yen-an that Central Govt is illegally seizing Communist-held places throughout "liberated areas and is using Japanese and puppet troops in these operations." Although reports of troop strength are frequently exaggerated and extremely inaccurate, it is obvious that fighting is becoming more bitter, and larger numbers of men are becoming involved.

ROBERTSON

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893.20 Mission/11-1245

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] November 12, 1945.

The State-War-Navy Coordinating Committee has before it two papers submitted by the Joint Chiefs of Staff. One of these papers (SWNCC 83/8)<sup>15</sup> deals with a U. S. military advisory group to China and the other (SWNCC 83/7)<sup>16</sup> with U. S. military assistance for China. Because of far-reaching policy considerations inherent in these papers, the Committee has deferred action on them pending an indication of your views.

On September 14 the President informed Dr. T. V. Soong that it appeared practicable for us to assist China in the completion of the 39 division program. He also approved "in principle" a military advisory mission to China. But he told Dr. Soong: "It should be

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<sup>15</sup> See footnote 93, p. 590.

<sup>16</sup> Not printed.



clearly understood that military assistance furnished by the United States would not be diverted for use in fratricidal warfare or to support undemocratic administration."

The "Military Assistance" paper calls for an increase in the 39 division program to 50 divisions. Decision with regard to this military assistance is closely related to, if not dependent upon, decision with regard to a military advisory group.

The "Military Advisory Group" paper provides for American personnel of approximately 1,000 Army officers and 2,600 enlisted men, and from 300 to 700 Navy personnel.

The Joint Chiefs of Staff recommend "promptness in initiating an orderly program of military assistance to the Chinese" because it "will tend to forestall them from seeking military assistance elsewhere". They say that "economic and political assistance (to China) should be carefully integrated at all times with the military assistance provided to China"! They request that the State Department undertake the necessary action to negotiate the required contracts between the U. S. and China for the establishment of an Advisory Group. It is desired that the negotiations be completed by the end of the year because present plans call for the complete deactivation of the U. S. Army China Theater Command by that time. It is pointed out that Congressional authorization will be required to continue the Group in being after the President's emergency powers have expired.

The Joint Chiefs of Staff list certain rights or concessions desired from China in return for our furnishing the Advisory Group. Important among these are: (1) complete exemption from any form of import duty or taxation on goods to be used or consumed by the personnel of the Group; (2) exemption from Chinese jurisdiction for all Group personnel, civilian as well as military; (3) China to refrain from supporting armed forces (Chinese) not sponsored by the U. S., when such support would interfere quantitatively or qualitatively with the effectiveness or efficiency of the U. S. sponsored units; (4) China may purchase military equipment from another power only after consultation with the Advisory Group; and (5) certain preferential treatment for American commercial organizations in China.

*Comment:*

The size and character of the Group, the statement of concessions desired, and the general tenor of the Joint Chiefs of Staff papers raise a question as to whether we are not moving toward establishment of a relationship with China which has some of the characteristics of a *de facto* protectorate with a semi-colonial Chinese army under our direction.

In a paper approved on October 24 by the State-War-Navy Coordinating Committee (SWNCC 83/6—copy attached<sup>17</sup>) there is a statement that “The objectives of the United States in the Far East are: (a) To provide for the security of the United States and its territory and for the maintenance of international peace; and (b) To create a political atmosphere conducive to the establishment of mutually beneficial commercial and cultural relations between the United States and its citizens and Far Eastern Areas and their nationals.” There is also a statement that “The achievement of these objectives in China requires a friendly, unified, independent nation with a stable government resting, in so far as practicable, on the freely expressed support of the Chinese people”.

The proposal for a Military Advisory Group requires close examination in relation to these stated objectives. It obviously would be unwise to send an American Military Advisory Group to China simply because it would please Chiang Kai-shek or because we thought that if we did not do it some other nation would. If we decide that a Military Advisory Group in China would further our objective of providing for the security of the United States, then we should approve the Group. However, in this connection we should have in mind possible political and international reactions to determine whether, in seeking to provide for military security in this manner, we have not disturbed our international political relations to a point that might negate the assumed security advantages of our military position in China.

We have stated on numerous occasions that we desire a free, unified, independent China with a government broadly representative of the Chinese people. It has also been made clear to China on many occasions that we do not intend that military assistance and advice shall be used in support of an administration not in conformity with the general policies of the United States, or in support of fratricidal warfare, or as a threat of aggression. We should have reasonable assurances that an Advisory Group of the size and character proposed would in fact encourage the development of a unified and democratic China. Chiang Kai-shek has in the past shown a decided preference for military methods, rather than political methods, in seeking a solution of internal difficulties in China and his methods have fallen short of success. It is not unreasonable to anticipate that American military assistance on the scale contemplated might encourage Chiang to continue along this line without promise of success, and discourage

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<sup>17</sup> See report by the State-War-Navy Coordinating Committee, October 22, and footnote 84, p. 583.

attempts at unity by peaceful methods. If an American Military Advisory Group could be effective in bringing into being a unified, democratic China and in the process not create international political difficulties with our Allies, there would be no question as to the advisability of setting up the Group. On the other hand if the Group serves simply to encourage Chiang to seek a settlement of his difficulties by means of force and if the maintenance of unity in China were to become dependent upon American military assistance in the form of matériel and advice, we would find ourselves in an unenviable, and perhaps untenable, position.

The President has indicated his approval "in principle" of a military mission for China and I believe that such a mission could serve a useful purpose but I also believe that its character, size, and probable activities, should be carefully and thoughtfully examined in the light of considerations set forth above.

One further thought. Although the contemplated size of this Group would seem to be excessive for the purpose of staff instruction and training, the War Department states that the personnel of the Group would not be employed in field operations. Personnel of the U. S. Army China Theater Command has been engaged in field operations. Such being the case, it might be advisable to postpone setting up the Group until after the Theater Command has been completely deactivated in order to avoid confusion and misunderstanding with respect to the operational functions of the Theater Command and the advisory functions of the proposed Group.

Finally, I may express my general conviction that interference in the internal affairs of China would not pay dividends and involvement in civil strife in China would occasion serious difficulties for us without compensatory advantages. I say this, not to discourage giving China military assistance and advice, but as a caution against what I detect as being certain concepts and features of the Group—its character, size, and relation to the Chinese Government—which may, unless restraint and judgment are used, have the effect of carrying the Group, and us, into the field of intervention and involvement in China's internal political and military affairs.

Certainly the Congress should be informed fully and in detail of the Group in advance of any negotiations the State Department undertakes with the Chinese Government looking toward the creation of the Group, because, upon the expiration of the President's emergency powers, Congressional authorization will be required to continue the Group in being.

J[OHN] C[ARTER] V[INCENT]

893.00/11-1245 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 12, 1945—1 p. m.  
 [Received November 13—10:05 p. m.]

36. A definite plan as to the future has been temporarily relieved by Wedemeyer's statement that Marines would not be withdrawn until disarming and repatriation of Japanese troops is completed. Japanese troops in North China area number 326,000 of whom only a few have [been] repatriated. Japanese civilians in same area number slightly more. Koreans in Peiping-Tientsin area number about 30,000 and it is essential to our interests that Marines remain until major part of repatriation of Japanese and Koreans has been completed.

With exception of the railway between Peiping and Tientsin, ordinary rail service practically nonexistent in North China. Communists are looting trains, planting mines, removing rails, burning sleepers and destroying roadbed on big scale. Isolated sniping at American Marines believed deliberate, they hope cause their withdrawal. Communists are strengthening unfortified 46 (?) area and are becoming more *intransigent*.

Chungking troops which were to have been landed Yingkow from American transport *Everett Marsh* landed at Chinwangtao. Clashes have already occurred between them and local Communists in that area. Sent to the Department and repeated to Chungking and Shanghai.

MEYER

196.1/11-1245 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 12, 1945—3 p. m.  
 [Received November 14—5:30 a. m.]

24. Your 17, November 5.<sup>18</sup> Jeep party returned to ship with exception of Lieutenant Commander Oko who was slightly wounded and is now in Marine Hospital at Chinwangtao. Written reports will be available in a day or two. Sent to Shanghai; repeated to Department and Chungking.

MEYER

<sup>18</sup> See footnote 3, p. 603.

893.00/11-1345 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 13, 1945—11 a. m.

[Received 2:17 p. m.]

1969. Undated telegram from Stevens,<sup>19</sup> Peiping, received today states that available local information indicates Communists have intensified operations in Shansi and Suiyuan; Communists are converging from several directions on Tatung, Kueisui is still under intensive infantry attacks; Communist forces now encircling Kueisui comprising 36 regiments under Ho Lung are reported to have stated recently that Communist forces will start large scale civil war if Central Government refuses to accept proposed Communist settlement of present crises.

ROBERTSON

123 Hurley, Patrick J. : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 13, 1945—1 p. m.

[Received 1:31 p. m.]

1970. General Wedemeyer today requests that the following message be sent to Ambassador Hurley:

“Generalissimo expressed the strong desire that you return to China as early as your health will permit. The Generalissimo would like very much to learn the expected date of your arrival. The Madame extends with the Generalissimo sincere good wishes.”

ROBERTSON

893.00/11-1345

*Memorandum by the Acting Chairman of the State-War-Navy Coordinating Committee (Matthews) to the Secretary of State*

SWN-3518

WASHINGTON, November 13, 1945.

The Commanding General, U. S. Forces, China Theater, has indicated that he considers it possible to commence withdrawal of U. S. Marines from China on 15 November 1945, and that the China Theater can be deactivated on 1 January 1946, at which time all U. S. Army Forces can have been withdrawn. He further recommends that the Chinese Government be so advised. (paragraph 2, Enclosure)

<sup>19</sup> Harry E. Stevens, Second Secretary of Embassy in China.

The present directive to the Commanding General, U. S. Forces, China Theater, issued on 10 August 1945,<sup>20</sup> provides for the continuance of U. S. military assistance to the Central Government only so long as necessary "for the purpose of supporting Chinese military operations essential to the reoccupation by Central Government forces of all areas in the China Theater now held by the Japanese . . ." <sup>21</sup> Under this directive three Chinese armies have already been moved to North China—some of which are destined for Manchuria. The estimates on which these plans were based considered that the task of these Chinese forces would be to disarm the Japanese, and the strength of forces to be moved was calculated accordingly. It now appears, however, that the major immediate task of these forces will be to insure that the control of the liberated areas is secured by the National Government and is not usurped by the Communists, and the forces already moved are being utilized accordingly.

There is a definite question in the minds of the Joint Chiefs of Staff that under present directives and arrangements, the disarmament and repatriation of the large number of Japanese in China, including Manchuria, will be completed. There is also a definite question that the Central Government will in fact gain control of Manchuria in consonance with various international commitments. In view of the present situation with reference to U. S. assistance to China, the Joint Chiefs of Staff consider that the Secretary of State should be apprised of the situation and that the State Department should be given an opportunity to review the matter from a political standpoint before the final orders are issued by the Joint Chiefs of Staff.

If the threat of civil strife in North China and Manchuria has not been overcome by the time U. S. forces are withdrawn, it may be that stability in that area can be attained only by outside intervention. This might be through intervention of Russia, whose special interest in Manchuria has been recently recognized in the Sino-Soviet Treaty, or by the utilization by the Central Government of the armed Japanese forces remaining in the area to insure Central Government control of the area. Either the use of Japanese or Russian forces in this area, or the likely alternative—full-fledged civil war—might well jeopardize the attainment of U. S. objectives in China. In either of these events the United States would be failing to capitalize upon the advantages gained in China during this war in which huge amounts of American money, resources and manpower have been devoted during the war.

In any case, the Joint Chiefs of Staff believe it undesirable to deactivate the China Theater until the U. S. Military Advisory Group has been established in China, and are so informing the Commanding

<sup>20</sup> *Ante*, p. 527.

<sup>21</sup> Omission indicated in the original memorandum.

General, U. S. Forces, China Theater, and the Commander in Chief, U. S. Pacific Fleet.

The Joint Chiefs of Staff therefore urgently require political guidance on the following matters:

*a.* Does the policy of this Government involve the continuance of U. S. military assistance to the Central Government until the situation in North China and Manchuria has been reasonably stabilized?

*b.* What date does the State Department estimate that negotiations with the Chinese Government for establishment of the U. S. Military Advisory Group will have been completed?

*c.* Should the Marines be withdrawn beginning 15 November 1945 or should they remain pending further clarification of the situation?

For the State-War-Navy Coordinating Committee:

H. FREEMAN MATTHEWS

#### ENCLOSURE

1. The pertinent part of message CM-IN 10698 from Commanding General, U. S. Forces, China Theater (ComGenChina) to War Department on 23 October 1945 is:

"China Theater can be inactivated as of 15 December provided Mr. McCloy's message (CM-IN 9091, 19 Oct 45) is approved and provided our requisitions for shipping for redeploying United States troops from Shanghai to United States are met."

2. The pertinent parts of message CM-IN 12147 of 26 October 1945 from ComGenChina to War Department are:

"The mission assigned to the Marine forces by China Theater will have been completed when Central Government forces have occupied the areas held by the Marines, and have taken over from them responsibility for the Japanese forces in the areas involved.

"To retain U. S. forces in areas of possible conflict between Chinese Central Government and Communist forces would, (if) such possible conflict becomes a reality, inextricably involve U. S. personnel and result in injury and loss of life to Americans. Involvement of Americans in fratricidal warfare in China cannot be justified under our interpretation of the presently assigned mission of the China Theater.

"In view of the above, unless our mission is changed, it is recommended therefore that the Marine forces be removed from China commencing 15 November and that the Chinese Government be notified by the U. S. Government that the Marine forces will be withdrawn commencing that date."

3. In General Order No. 1, Instruments for the Surrender of Japan, the Japanese in China (excluding Manchuria), Formosa and French Indo-China north of 16 degrees north latitude were directed to surrender to Generalissimo Chiang Kai-shek.

4. *a.* Warx 52593 [51593] (25 [24] October 1944)<sup>23</sup> contains the original mission assigned the China Theater by the Joint Chiefs of Staff:

“3. *Mission.*

*a.* Your primary mission with respect to Chinese forces is to advise and assist the Generalissimo in the conduct of military operations against the Japanese.

*b.* Your primary mission as to U. S. combat forces under your command is to carry out air operations from China. In addition you will continue to assist the Chinese air and ground forces in operations, training and in logistical support.

*c.* You will not employ United States resources for suppression of civil strife except in so far as necessary to protect United States lives and property.”

*b.* In Warx 47513 (10 August 1945) the Joint Chiefs of Staff supplemented the original directive to ComGenChina, in part, as follows:

“1. *a.* This directive supplements that contained in Warx 51593 of 24 October 1944, and becomes effective at the time the Joint Chiefs of Staff inform you of the capitulation of the Japanese National Government.

*b.* All of its provisions apply only in so far as action in accordance therewith does not prejudice the basic U. S. principle that the United States will not support the Central Government of China in fratricidal war.

“2. It is not proposed to involve U. S. ground forces in a major land campaign in any part of the China Theater. However, U. S. Pacific theater forces are preparing to secure control of key ports and communication points in the China Theater for the purpose of assisting China Theater forces. Command or operational control of U. S. forces entering the China Theater will pass to ComGenChina in accordance with arrangements to be mutually agreed upon by the commanders concerned. ComGenChina is responsible for coordination with Generalissimo Chiang Kai-shek of the planning and execution of all operations in the China Theater.

“3. In case Japanese forces in China continue resistance after capitulation of the Japanese home government, you will continue your present mission with reference to the Generalissimo and to U. S. forces under your command. Your action on Japanese capitulation will be on the basis that military assistance will be continued for the present for the purpose of supporting Chinese military operations essential to the re-occupation by Central Government forces of all areas in the China Theater now held by the Japanese, and the placing of Chinese occupation forces in Japan proper, Formosa, and Korea.<sup>24</sup>

<sup>23</sup> *Foreign Relations*, 1944, vol. vi, p. 178.

<sup>24</sup> Omissions indicated in the original memorandum.



"6. You will assist the Central Government in the rapid transport of Chinese Central Government forces to key areas in China. Other indicated U. S. support of these Chinese forces will be given as now normal to your mission."

*c.* In Warx 77563 (20 October 1945) the Joint Chiefs of Staff further supplement the original directive to ComGenChina, in part, as follows:

"In addition to Mission given in Warx 51593, 24 October 1944, and Warx 47513, 10 August 1945, the following directive is approved by the Joint Chiefs of Staff. You are directed:

*b.* To administer to the needs of recovered U. S. military personnel and to give appropriate assistance to the State Department representatives in administering U. S. displaced persons in accordance with Warx 54719 . . .

*c.* To make plans and preparations for such U. S. military advisory group to China as may be established . . .

*d.* To close out all U. S. Army installations, commands and activities in the China Theater at the earliest practicable date consistent with your presently assigned mission.

"Based on the above, desire estimated date on which the Theater mission as herein stated can be accomplished and headquarters, U. S. Forces, China Theater, can be deactivated. Request also recommend schedule for withdrawal of Marine forces from China."

5. CM-IN 22159 (27 September 1945), from ComGenChina, contains the mission assigned the U. S. Marines by the China Theater.

"The Generalissimo, the Combined Staff and the ComGenChina concur in the following revised directive to the Commanding General, Third Amphibious Corps:

"The mission of the Commanding General, Third Corps, is to seize and hold the Tientsin-Taku, Tsingtao and Chefoo areas. He will, for the security of his own forces and of the areas stated, occupy such intermediate and adjacent areas as he deems necessary."

6. In CM-IN 12976 of 27 October 1945 ComGenChina advised the War Department that:

"If all U. S. surplus Army equipment and supplies are disposed of to the Chinese by a bulk sale on a where is, as is basis as we have recommended and which is now under consideration between the two governments, no personnel will be required by the theater for this purpose after 1 January 1946.

"In summary, no personnel will be required in China to implement our mission after 1 January 1946 except those required for the Advisory Group, provided our surplus supplies and equipment are disposed of to the Chinese by a bulk sale."

7. Warx 80362 (1 November 1945), from the War Department to ComGenChina, states, in part, as follows:

“Neither Joint Chiefs of Staff nor War Department have set a definite date for inactivation of China Theater. While theater can probably be evacuated by 31 December, based on shipping alone, other requirements may necessitate theater remaining active after that date or other arrangements made to handle responsibilities of this nature. Accordingly your plans and recommendations to the War Department should take cognizance of such a possibility.”

8. By J. C. S. 1330/10<sup>25</sup> (U.S. Military Advisory Group to China) (SWNCC 83/8), approved 23 October 1945, the Joint Chiefs of Staff approved a plan for a United States Advisory Group to China and requested the State Department to negotiate with the Chinese Government for its establishment.

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Chungking Embassy Files—800 KMT Communist

*Memorandum of Conversation, by the Second Secretary of Embassy in China (Melby)*

[CHUNGKING,] November 13, 1945.

By appointment I met General Chou for luncheon yesterday. We had previously had an appointment for Sunday which he said he had been forced to cancel because he had been called in by General Wedemeyer, who apparently wanted to get his opinion on conditions in the north. Chou said he told General Wedemeyer that the announced policy of the United States in China was non-intervention but at the same time it also appeared the American policy [was?] to transport Kuomintang troops to the north, to police the railroads and to go slowly on the disarming of the Japanese—in a word, to intervene in internal Chinese affairs. He said he asked General Wedemeyer how he explained this apparent contradiction. General Wedemeyer told him he was fully aware of the contradiction, but that he had his orders and as a soldier he had to carry them out. He also said that the slow progress in disarming the Japanese was at the expressed desire of the Central Government.<sup>26</sup> Chou concluded that this was all the information he could get out of him.

Chou also told me that any public information on the present meeting of the Kuomintang generals in Chungking would be meaningless, but that we should try to find out what was being said “under the table” and then watch the subsequent behavior of the generals after

<sup>25</sup> Dated October 22, p. 590.

<sup>26</sup> Marginal notations: “I will wager CN \$10000 that General Wedemeyer made no such statement—W[alter] S. R[obertson] Me too—J[ohn] E. M[elby]”.

they left Chungking. He seemed to feel that the principal generals would favor continuance of the civil war but that there was a fairly good chance that pressure from innumerable civilian groups on the Generalissimo might force him to order a cessation of hostilities. He said he was in no position, however, to estimate the chance of this development but he was not unduly optimistic. Though preferring a discontinuance of civil war, he did not seem particularly alarmed at the prospect that it might be continued, for he said that regardless of any developments the Communists would win.

I asked him if active negotiations with the Kuomintang had been resumed. He said no and that they would not be until the Political Consultative Council is convened.

He made a point of telling me on his own that at the time the joint communiqué was issued on October 10, the Kuomintang had already issued orders to its troops to attack the Communists. According to him, the principal focus of this attack was to be Honan with four divisions of American trained and equipped troops. These troops have now been isolated into four separate groups and are beyond hope of any relief.

For some reason, he was particularly interested in the political situation in Italy and more specifically the present economic problems. I told him that I knew only what I had seen in the press which he had also undoubtedly seen.

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893.00B/11-1545

*The Navy Department to the Department of State*<sup>27</sup>

Serial 0056P21

WASHINGTON, [November 14, 1945.]

The following dispatch, dated 10 November 1945, from the Commander, Seventh Fleet,<sup>28</sup> is paraphrased for the information of the Department of State:

“On the morning of 4 November, Captain Danton (Merchant Marine), Mr. Oko (Chief Officer), Lieutenant Mays, USNR (Gunnery Officer), Captain Taylor (Army) and Mr. Davies (Purser), all from the S.S. *George R. Holmes*, proceeded toward Shanhaikwan in a CNA<sup>29</sup> Force jeep. Mr. Oko was slightly wounded while en route when Communist forces fired on the party. Gunfire ceased when the party was identified and all personnel were taken to Shan Hai Kwan, where Mr. Oko was given medical treatment. Members of the party were permitted to retain their weapons and were not molested further but the Communists retained the jeep. The party, with the exception

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<sup>27</sup> Sent from the Office of the Chief of Naval Operations to the Division of Foreign Activity Correlation.

<sup>28</sup> Adm. Thomas C. Kinkaid.

<sup>29</sup> Chinese National Army.

of Mr. Oko, was permitted to return to Ching Wang Tao on the same day. Mr. Oko was released on 7 November 1945 and is now hospitalized in Ching Wang Tao in satisfactory condition."

JOHN L. MCCREA,  
*Rear Admiral, USN*

893.00B/11-1445

*The Navy Department to the Department of State*<sup>30</sup>

Serial 0057P21

WASHINGTON, 14 November 1945.

Excerpts from recent dispatches received from the Commander, Seventh Fleet, are paraphrased for the information of the Department of State:

"As of 10 November, the Generalissimo was exerting pressure on the Commanding General, China, for assistance by U. S. Forces in moving his troops into Manchuria. Reaction of the Commanding General is that the scope of the U. S. Mission does not include Manchuria, which is strictly a problem to be resolved by the Russians and Chinese. He adds that, on arrival at the Manchurian border of Chinese Forces, U. S. liaison resources and personnel will be withdrawn. Communists report that the Koito Iron Works in Peiping, which formerly supplied arms to the Japanese, still operating. A report from Yen-an on 3 November claimed that Japanese troops were included in the Generalissimo's forces in the drive to the south from Shih Kiachwang."

"As of 11 November, Yen-an reiterated claims that Japanese troops are presently employed by CNA and puppet troops in North China. Tientsin and Tsingtao reported quiet. The Commander, Seventh Fleet, is of the opinion that Communists are being shifted from Shantung to Manchuria for training and equipping, possibly with Russian assistance."

"Large scale Communist activity was reported on 12 November in the Peiping, Tientsin, Ching Wang Tao area. A railroad bridge was damaged at Hsu-Ko-Chuan and a train was derailed at Tang Fang. The collision of two trains which occurred at Peitaiho was presumably deliberate. The Russians are said by an American observer to be widening the gauge of the North Manchuria Railroad, employing forced Japanese labor. He adds that large numbers of Japanese are serving in the Nationalist Forces in North China. The Commanding General, China, has refused to assist French Forces in Indo China on the basis that the U. S. might otherwise become involved in the internal struggle."

"Also on 12 November, it was reliably reported that Chinese Communists in Wei Hai Wei and Chefoo are being supplied by the Russians with munitions and Chinese Forces from Dairen. Chou En Lai also made the statement but later denied it. Press and radio accusations by Chinese Communists concerning 'intervention by the U. S. in

<sup>30</sup> Sent from the Office of the Chief of Naval Operations to the Division of Foreign Activity Correlation.

the Chinese civil struggle' are designed to force the recall of our forces by demands of isolationist and Communist groups in the U. S."

JOHN L. MCCREA  
*Rear Admiral, USN.*

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Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Marshall)*

[CHUNGKING, November 14, 1945.]

[CLO 672.] Answers to five questions in your Warx 80975<sup>31</sup> follow (lettering of paragraphs correspond to lettering of questions in subject message) :

a. ODD refer to CACX 0078<sup>32</sup> from ComGenThirdPhibCorps which states that no advance of Marines north of Chinwangtao has been made except for a small party who conferred with Communist leaders. Marines have been meticulous in adhering to assigned mission of "occupying key areas and such adjacent areas as necessary for the security of their own force". Patrols and train guards operate between Chinwangtao and Tientsin. This is essential for security of vital LOC.<sup>33</sup>

b. At present in the general area Peiping-Tientsin-Taku-Chinwangtao there are four specially selected Chinese Armies, the 13th, 52d, 92d and 94th. These four armies should be sufficient to occupy at once the key installations now held by the Marines and to control the limited area originally secured for them by the Marines. However, if the Generalissimo insists upon UBPTNDING [*sic*] (defending) (expanding) the area with the Chinese troops in hand, particularly into Manchuria, the presence of the Marines would be required indefinitely. In Tsingtao area Marines could be relieved about 25 November upon assumption of control by Chinese Eighth Army now afloat and en route. Obviously the Chinese desire to employ U. S. Forces to stabilize important strategic situation created by the Chinese Communists. It is my conviction that the Americans have assisted the Chinese to redeploy adequate forces for the repatriation of the Japanese, this in accordance with Theater Directive. The Americans have not authority under existing Directive to provide assistance in moving additional Chinese Forces to the north for their unquestioned projected employment against Chinese Communists.

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<sup>31</sup> Telegram of November 3 from the Chief of Staff, U. S. Army, to the Commanding General, U. S. Forces, China Theater, p. 601.

<sup>32</sup> Not found in Department files.

<sup>33</sup> Line of communication.

c. The plan up to the present visualizes movements north from the Peiping-Tientsin area and dispositions in U E Y ATEDA (key areas) in Manchuria by air and/or sea, such areas are not dominated by Chinese Communist Forces. American evaluation of situation indicates that the Chinese Central Government is completely unprepared for occupation of Manchuria against Communist opposition. Americans recommended to Generalissimo that the Chinese should adopt the immediate objective of consolidating the area south of the Great Wall and north of the Yangtze, particularly, and initially of securing overland line of communications in that area, prior to entry into Manchuria.

d. Communists strongly dispute North China area, threatening all lines of communication. Communist sympathy exists in Tsingtao, Peking, Tientsin, Tangshao, Tangku and Chinwangtao due to dissatisfaction of local populace with corruption and inefficiency of Kuomintang administration in those areas. Presence of Marines is definite deterrent to major disorders through [though] it is believed the Central Government can maintain control of these areas if available Chinese troops are not dispersed or diverted to Manchuria.

e. Communist strategy is designed to arouse public opinion, Chinese and American, against retention of Marines and against provision of more U. S. assistance in any form to the Central Government. Their current allegations, concerning Marine attacks in conjunction with minor advances of Central Government has been accepted by some Chinese to a limited extent. Investigation indicates these allegations are false or badly distorted and exaggerated reports of minor incidents. Communist efforts are being directed toward provoking of armed conflict upon part of Marines, thereby lending credence to their accusation of armed intervention of U. S. in Chinese internal affairs. Inept and corrupt administration of Kuomintang officials newly arrived in North China is gaining support for Communists. The victories and power of the Soviet system remain a major Chinese Communist propaganda theme despite the repudiation of Chinese Communism implied by Soviet relations and negotiations with Central Government. Soviet efforts appear directed toward outward show of cooperation with Chiang's representatives but Soviet definitely appears to be creating favorable conditions for the acquisition by Chinese Communists of key areas in North China and Manchuria. Concurrently the Soviet is placing obstacles in the way to preclude consummation of Chinese Central Government plans for the recovery of these areas.

811.22793/11-1445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 14, 1945—8 a. m.

[Received November 15—1 a. m.]

1973. There is quoted below a message from Generalissimo Chiang Kai-shek to President Truman; the message was given our Army headquarters here by representative of Generalissimo:

“My Dear President Truman: China has no existing facilities for training C. A. F. personnel in China. Chinese Air Force training schools are planned so as to commence training beginning 1 May 1946 but the output will not have become available to China until 1 May 1947. Under previous Lend-Lease agreements this training was planned and scheduled to be completed in United States. A cessation of such training in the United States before 1 May 1947 would seriously affect the Chinese Air Force and prevent its normal expansion as contemplated in the Palmyra plan which was tentatively approved by your War Department. There are 2,259 C. A. F. personnel now undergoing training in the United States. One hundred ninety-two en route and 1,285 personnel in China awaiting transportation for such training. It is urgently requested that until postwar training arrangements and methods of settlement are completed between China and the United States that the completion of this training program in the United States and the transportation required be authorized. My Government will expect to bear the expense of this program under agreement to be concluded. Signed Chiang Kai-shek.”

ROBERTSON

711.93/11-1745

*Memorandum by the Chief of the Division of Chinese Affairs (Drumright)*<sup>34</sup>

[WASHINGTON,] November 16, 1945.

## THE SITUATION IN CHINA

## A DISCUSSION OF UNITED STATES POLICY WITH RESPECT THERETO

It will be clear that the situation in China has reached a critical stage and that the developments of the next few weeks will have a momentous bearing on the future of China, of the Far East and of the world.

<sup>34</sup> In forwarding this memorandum to the Under Secretary of State (Acheson), the Director of the Office of Far Eastern Affairs (Vincent) on November 17 commented: “Attached is a copy of a well-thought out and well-written memorandum. . . . I spoke of it to you this morning and think you will find it well worth reading. Mr. Drumright’s major thesis is that ‘we should, above all, afford it (the Chinese Government) all necessary assistance in recovering all lost territory—and especially Manchuria.’ He argues that such action by us is essential if we are to have a united China and that a united China is essential to our own security.”

It is evident that the Chinese Communists are making a supreme effort to assert control of north China. It is becoming more and more clear that the Chinese Communists are, furthermore, making a strong bid to seize control of Manchuria. It appears that in this effort to absorb Manchuria, the Chinese Communists have been aided and abetted by the U. S. S. R. which has been in control of all or parts of Manchuria since about the middle of August 1945. Without Soviet assistance, it is difficult to see how the Chinese Communists could have become so securely entrenched in Manchuria as they appear to be today. If the U. S. S. R. has assisted the Chinese Communists to entrench in Manchuria it follows that they have done so in contravention of the Sino-Soviet treaty of August 14, 1945, under the terms of which the Soviets pledged "respect for China's full sovereignty over the three Eastern Provinces and recognizes their territorial and administrative integrity", and agreed "to render to China moral support and aid in military supplies and other material resources, such support and aid to be entirely given to the National Government as the Central Government of China".

It seems obvious that if the Chinese Communists, with or without Soviet aid, are able to entrench themselves securely in north China and in Manchuria, the prospects for a strong and united China will have been dimmed and perhaps irretrievably lost. It will mean the perpetuation in China of two hostile groups, both possessed of armed forces and of a history of political and armed antagonism almost since their inception. It will mean the extension and prolongation of the civil strife which has so unhappily beset China during the past two decades. It will mean that the war of resistance against Japan has been fought in vain; that the prospects for the early establishment of a strong and united China will have been extinguished; and that, instead of the creation of a strong and united China which could contribute materially to the stability of the Far East and the world, we shall have a divided China. A divided China will obviously further the forces of insecurity, invite foreign intervention, and may eventually bring about conditions which will plunge the world into a third world war. A divided China will render ineffective our desire to assist China in rehabilitating and reconstructing its war-torn economy, will prolong the agony of the Chinese people against their desire, and will render difficult, if not impossible, our aim to further our normal relations with that country.

In the light of the foregoing considerations and developments, what should be our position and policy towards China?

It is assumed that our primary objective in this uncertain and disordered world—certainly prior to the establishment of an effective world organization to ensure world peace—is the promotion of the security of the United States.



What policy or policies should we follow with respect to China in order to attain this primary objective—the security of the United States? It has been our traditional policy to advocate and support respect for the territorial integrity and political independence of China. As a corollary to that policy we have sought the emergence of a strong, unified, progressive government in China. Since 1928 we, in common with the great majority of the Powers, have recognized the National Government of China as the legitimate government of China and have had continuous relations with it. Since the Japanese attack on Pearl Harbor we have been allied with that government in waging war against Japan. Indeed, one of the prime reasons for the Japanese decision to attack us lies in our defense of the National Government of China.\* Moreover, there was incorporated in the Cairo Declaration of 1943<sup>35</sup> a pledge on the part of the United States, Great Britain and China “that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa, and the Pescadores, shall be restored to the Republic of China”. At the Potsdam Conference of 1945 the Government of the U. S. S. R. signified its adherence to the terms of the Cairo Declaration.<sup>36</sup> It thus appears that we are bound under the terms of the Cairo Declaration to see to it that Manchuria and the other areas mentioned therein are restored to the Republic of China. The U. S. S. R. appears to be obligated not only by the terms of the Cairo Declaration but by the terms of the Sino-Soviet treaty and related agreements of August 1945 to restore Manchuria to the National Government of the Republic of China.

As has been indicated in the opening paragraphs of this paper, the National Government of China and the Chinese Communists are locked in a struggle for political and military control of north China and Inner Mongolia. As regards Manchuria, there are strong indications that the Chinese Communists are entrenching themselves in at least the southern portion and are prepared to resist efforts on the part of the National Government to move troops into Manchuria or to attain effective control of Manchuria. The Soviets, for their part, have blocked attempts of the National Government to land forces at Dairen

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\*In our note of November 26, 1941, to the Government of Japan we proposed as one step in the settling of American-Japanese differences that “The Government of the United States and the Government of Japan will not support—militarily, politically, economically—any government or regime in China other than the National Government of the Republic of China with capital temporarily at Chungking.” [Footnote in the original; for the note of November 26, 1941, see *Foreign Relations, Japan, 1931-1941*, vol. II, p. 768.]

<sup>35</sup> See White House press release of December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393, or *Foreign Relations, The Conferences at Cairo and Tehran 1943*, p. 448.

<sup>36</sup> For the Potsdam Declaration of July 26, 1945, see *Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945*, vol. II, p. 1474. For Soviet adherence to the Declaration on August 8, see *ibid.*, footnote 1.

on the alleged grounds that Dairen is a "free port" and therefore not available for the transit of troops. According to recent press reports, the National Government has approached the Soviet Government for facilities to land troops in Manchuria by air, but judging from their past attitude, it seems likely that the Soviets will find grounds for non-compliance with this request.

The United States has since the surrender of Japan been aiding the National Government in effecting the surrender, disarming and repatriation of the Japanese armed forces in China. The United States has been particularly active in transporting Chinese armed forces for this purpose. In certain areas of north China the United States has landed United States Marines to assist the Chinese authorities in rounding up and effecting the disarmament of the Japanese armed forces. It has been announced that the Marines will be withdrawn as soon as sufficient Chinese armed forces have been transported to north China to handle the Japanese armed forces in that area. The United States also undertook to transport Chinese armed forces to Hulutao and Yingkow, in southern Manchuria, but refused to land the Chinese when it became apparent that the landings would be opposed by Chinese Communists or irregulars. The Chinese forces destined for Hulutao and Yingkow were subsequently landed at Chinwangtao and are now massed before Shanhaikuan, the overland gateway to Manchuria.

How may we best safeguard our security and interests in the light of developments in China as described above?

We appear to be faced with two major alternatives: (1) To give vigorous and sustained support to the National Government to the end that it may obtain effective control of all parts of China, including Manchuria; or (2) withdrawal of our support from the National Government and of our armed forces and facilities from China. We have accorded a large measure of support to the National Government in effecting the restoration thereto of the recovered areas in south, east, central and north China. With respect to Manchuria, however, we have refused to land Chinese troops at Dairen in the absence of a Sino-Soviet agreement to permit such a landing or at the Manchurian ports of Hulutao and Yingkow in the face of probable resistance from Chinese Communists or irregulars. Our failure to assist the National Government in landing its forces in Manchuria obviously renders difficult the occupation of that area by the National Government.

It is submitted that, in the interests of our own security and peace and stability in the Far East, we should move resolutely and effectively to assist the National Government of China to effect restoration of the recovered areas of China, including Manchuria. We appear to be on firm legal and moral grounds in pursuing such a policy, and its implementation will, it seems clear, offer the best opportunity for

the unification of China and diminution of the possibility of foreign intervention. Failure to afford substantial assistance to the National Government in this respect is likely to result in the creation in Manchuria and perhaps in parts of north China and Inner Mongolia of a strongly entrenched Chinese Communist regime contiguous to the U. S. S. R. The establishment of a Communist regime in Manchuria, Inner Mongolia and north China would probably result in the perpetuation in China for some time to come of two antagonistic states and would almost certainly result in a prolonged and disastrous struggle which would not terminate until one or the other of the factions was eliminated. A Communist state in north China, Inner Mongolia and Manchuria or parts thereof would, it can scarcely be doubted, receive the strong support of the U. S. S. R. Such a Communist regime could hardly be expected to regard the United States in a friendly light. The United States, bearing in mind the close ideological and other ties that exist between the Chinese Communists and the U. S. S. R. could scarcely, for its part, view the development of such a state, *de facto* or otherwise, with equanimity. Considering the character, the ideology and the past attitude of the Chinese Communists, it is difficult to perceive how American interests of any kind could flourish in such a Communist state. The creation of such a Communist state would seem, in effect, to bring about a situation which in many important particulars would be little different from that obtaining before the defeat of Japan. Instead of a Japanese-dominated puppet regime we should probably find in its place one dominated by the U. S. S. R. Obviously such a development is neither one that was contemplated by us when we went to war with Japan nor one that will promote the security and interests of the United States. It is rather a situation that will produce a continuation of internal strife in China and the possibility of a clash between the United States and the U. S. S. R. As the Japanese absorption of Manchuria contributed to the exacerbation of American-Japanese relations, so would Soviet control of Manchuria seem to sow the seeds for a fundamental cleavage between the United States and the U. S. S. R.

It is submitted that in the implementation of our policies towards China we should be guided primarily, as has been stated above, by considerations of our own security interests. Other considerations, such as democracy in China, questions as to the relative efficiency of the two contending factions, the question of "fratricidal strife", et cetera, would thus seem to be of secondary concern and should accordingly be so regarded at this time.

It is submitted that in order to safeguard our own interests and security we should continue to accord support to the National Government of China; that we should continue to give it all needed assistance in demobilizing and repatriating the large numbers of Japanese who

remain in China; and that we should, above all, afford it all necessary assistance in recovering all lost territories—and especially Manchuria. Steps to obtain the recovery of Manchuria should be made at all speed lest the area be irretrievably lost to the National Government. If we deem it unwise or undesirable to participate in the landing of National Government troops in Manchuria we should, as an alternative, supply the National Government with the necessary shipping to conduct its own landing operations. We can meantime proceed with plans to assist in the renovation and modernization of China's armed forces and in the rehabilitation of her economy.

It is submitted that any policy of American withdrawal from China at this juncture or of half-hearted assistance to China will destroy what we wish to achieve—a strong, united China with close and friendly attachments to the United States. It goes without saying that a disunited China or a China that is unfriendly towards the United States will be an ever-present menace to the security of our country and inimical to the principles which we espouse.

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893.00/11-1645

*The Navy Department to the Department of State*<sup>37</sup>

Serial 0071P21

WASHINGTON, November 16, 1945.

The following dispatch, dated 15 November 1945, from the Commander, Seventh Fleet, is paraphrased for the information of the Department of State:

“It is reliably reported that Chinese Communists in Weihaiwei and Chefoo are being supplied by the Soviets with munitions of war and Chinese personnel from Dairen. Upon receiving the report that the Commanding General, First Marine Division,<sup>38</sup> was fired upon while enroute Chin Wang Tao by personnel in a village a few hundred yards north of Lorn Shien (latitude 39-45, longitude 118-45), the Commanding General of the Third Amphibious Corps<sup>39</sup> informed the Communist leader in the village that he would order the village strafed by aircraft in the event of further attacks on U. S. forces. In the event of a repetition, the Commanding General will carry out his threat unless the Commanding General, China Theatre, directs otherwise. An apparently exaggerated estimate which appeared in the Communist press reported that 150,000 Japanese troops, operating in conjunction with Kmt forces, are presently attacking Communist-held areas. Actually, it appears that the only Japanese participation is in the performance of garrison duty and in the repairing and holding of communication lines. It was reported on 13 November that 3500

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<sup>37</sup> Sent from the Office of the Chief of Naval Operations to the Division of Foreign Activity Correlation.

<sup>38</sup> Maj. Gen. De Witt Peck.

<sup>39</sup> Maj. Gen. Keller E. Rockey.

Japanese repatriates were assembled in Tientsin awaiting transportation to Tangku. Communist troop activity Shan Tung was reported by aerial reconnaissance on the same date, numerous troops having been seen in Chefoo. Satisfactory progress with respect to the occupation of Formosa is reported."

JOHN L. McCREA  
Rear Admiral, USN

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S93.00/11-1645 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 16, 1945—3 p. m.  
[Received November 17—10:55 p. m.]

42. Following are OSS impressions gained from interview with high Japanese Communist recently arrived from Yenan.

Chinese Communists anti-American at present because our collaboration Chungking, especially enforcing Chungking's order Japs not surrender Eighth Route Army. This does not extend American people whose support desirable and to be cultivated. Communists confident ability gain control North China soon as American Forces leave. Presence here resented and clashes with small U. S. units may be encouraged to influence American opinion and hasten withdrawal [Marines?].

[MEYER]

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Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Marshall)*

[SHANGHAI, November 16, 1945.]

[CFBX 14735.] The following message has been received from the Commanding General 3d Phib Corps:

"Railroad train en route Tangshan to Chinwangtao has been receiving small arms fire from village about 600 yards north of Loanshein [Lwanhsien] (118 45—39 45). Three hundred yards of track and road-bed destroyed by mines causing several casualties among Chinese workmen. Peck under fire yesterday in same general locality. Peck has requested an air bombing mission against this village. Am directing Peck send emissary to village to inform Communist leader that if fire continues against our forces I will order an air strafing mission against village. Reports indicate such villages often abandoned by civilians. Unless otherwise directed, if firing continues from this village directed against our troops, I intend to order air strafing mission."

My reply thereto was as follows :

"If American lives are endangered by the small arms fire received from village about 600 yards north of Loanhsien, as indicated in your radio CAC 0368, it is desired that you inform the military leader or responsible authority in that village in writing, both through a carefully selected emissary and through dropped leaflets, that fire from that particular village is endangering American lives and that such firing must be stopped. After insuring that your warning to said military leader or responsible authority has been received and understood, should firing that jeopardizes American lives continue, you are authorized to take appropriate military action. Your warning and action should include necessary measures to insure safety of innocent persons."

The railroad line Chinwangtao-Tangku on which the above incident occurred, is essential as a supply line for the Marines in Peking-Tientsin-Taku area because the Port of Taku may freeze in December, thus jeopardizing the supply situation of the Marines in that area if they are not withdrawn prior to 1 January. Further, the railroad line Chinwangtao-Tangshan also on which firing occurred is necessary for movement of coal to the sea coast for shipment to Shanghai where there are approximately 19,000 American troops closing out the China Theater and awaiting shipment home.

Information contained in paragraphs 1 and 2 above was furnished to the senior American in Chungking with instructions to pass to the Generalissimo and Communist leader Chou En-lai who is presently in Chungking.

In view of the developments in North China which inevitably will involve our forces in incidents of increasingly serious nature, it is recommended that the entire Marine force be evacuated from China, movement to be initiated at once. It is further recommended that the Chinese Government be informed of this decision so that the Generalissimo can make provisions to relieve the Marines by Central Government troops. The American Forces including the Marines in China have completed their assigned mission of assisting in the reposition of Chinese Central Government Forces to facilitate the disarming and deportation of Japanese. All of the incidents that have occurred thus far have been caused by Chinese Communists or Chinese bandits and therefore are directly related to fratricidal warfare which by existing Theater Directive Americans are cautioned to avoid. In submitting this recommendation it is realized :

*a.* The Chinese Communists will interpret removal of U. S. Forces as a complete success in their program of intimidation and propaganda.

*b.* Coal supply to Shanghai may be interrupted causing untold suffering and chaos in that area. Stability in Shanghai area is vital to the Generalissimo for political, economic and psychological reasons.

c. Further, although we have complied with our directives and have placed sufficient Chinese Central Government troops in North China to disarm the Japanese and facilitate their repatriation were it not for Communist opposition, it is realized that open civil war may break out once the Marines are removed. At the same time, however, it is possible that the fratricidal strife now instant in North China might reach the scale of open civil war even though the Marines are not evacuated.

The Marine Commander has exercised excellent judgment throughout in avoiding serious incidents under increasingly difficult conditions. However the Chinese Communists in all probability are striving to create an incident which will prove before the bar of public opinion that Americans are participating in fratricidal warfare. It will be extremely difficult if not impossible to avoid involvement with dissident groups particularly when one such group will do utmost to precipitate embarrassing situations.

Admiral Kinkaid has seen this message and concurs.

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893.00/11-1845 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, November 18, 1945—2 p. m.

[Received November 18—9:46 a. m.]

2011. Below is given summary of Military Attaché's report for week ending November 17:

Civil war continued in northern and central China. Reports of troop movements and clashes reached new high, as Communists intensified attacks against Kueiswei and Paotou in Suiyuan and seemed to be enlarging activities in Honan and Shantung.

Communists were meeting with stiff resistance in Suiyuan from 12th War Zone troops of Fu Tso-yi and it appeared that Eighth Route Army Commanders had underestimated Central Govt strength in that region. Forces of Fu Tso-yi along Peiping-Suiyuan railway are serious threat to Communist security in northeast and bitter, prolonged struggle for position in Suiyuan seems inevitable. Communist forces continued operations against rail communications in Shantung.

Communists are penetrating all parts of Honan and northern Hupeh but have failed repeatedly to attain objectives in Siangyang-Nanchang area. Communist determination in this area may be directed primarily to diverting Central Govt forces moving north, and/or to penetrating to strategic points on Yangtze River between Hankow and Chungking. Communist operations elsewhere in Hupeh-Honan area continue to be aimed at Central Govt communications along Peiping-Hankow and Lunghai Railways. Central Govt, significantly, has

announced intention to strengthen considerably defenses of Kaifeng, capital of Honan, and to move 100th Army now in Hengyang to northern Honan in order to replace losses in that area; it is reported by Communist sources that Central Govt is developing new offensive in this region involving seven divisions.

Central Govt announced November 7 defeat of three of its armies by Communists in northern Honan and capture of two Generals, but cautioned people against believing Communist rumors about incident. During past week it became evident that Central Govt Commanders had abandoned their attacks on Eighth Army and that many of Central Govt units involved had laid down their arms. General Kao Shi-hsun, Commander of Central Govt's New Eighth Army reportedly captured by Communists, is said by Communists to have issued circular telegram announcing organization of "Democratic National Reconstruction Army" with policy of opposition to civil war and demand for abolition [*coalition?*] gov't. Real importance of this incident cannot be determined pending further clarification of facts, but implied significance is clear; a tendency for such defections to spread would weaken bargaining position of Central Govt.

SMYTH

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811.22793/11-1445 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 19, 1945—8 p.m.

1873. Please convey the following message from the President to Generalissimo Chiang Kai-shek:

"Upon receipt of your message dated November 14<sup>39a</sup> in regard to continuation of training in America of Chinese Air Force personnel, I made inquiry of my Chiefs of Staff and am informed that arrangements have already been made to continue the training of the Chinese Air Force personnel substantially as outlined in subject message."

BYRNES

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893.24/11-1945

*Memorandum by the Deputy Director of the Office of Far Eastern Affairs (Penfield) to Mr. Walter Brown, Special Assistant to the Secretary of State*

[WASHINGTON,] November 19, 1945.

General Wedemeyer cited as his authority for the transfer under Lend-Lease of transport planes to the Chinese to take Chinese troops

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<sup>39a</sup> See telegram No. 1973, November 14, 8 a.m., from the Chargé in China (Robertson), p. 629.



to Manchuria, a telegram from the War Department of September 5 which quoted a policy approved by the President on military Lend-Lease,<sup>40</sup> effective V-J Day, allowing the continuance of "assistance to Allied forces engaged against Japanese forces which have not surrendered". The telegram also gave the following interpretation of this policy as applied to China:

"Your action on Japanese capitulation will be on the basis that military assistance will be continued for the present for the purpose of supporting Chinese military operations essential to the re-occupation by Central Government Forces of all areas in the China Theater now held by the Japanese, and the placing of Chinese occupation forces in Japan proper, Formosa, and Korea."

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893.00/11-1945

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent)*<sup>41</sup>

[WASHINGTON,] November 19, 1945.

#### OUR MILITARY POSITION IN CHINA

It is urgent that we reach a decision with regard to our present and future military position in China. Four principal courses of action are open to us: (a) withdraw our Marines from north China and deactivate the U. S. China theater; (b) leave the Marines in north China without altering the mission of the U. S. China theater command; (c) enlarge the theater's mission to provide for assistance to the Chinese National Government in stabilizing conditions in north China and Manchuria; and (d) enlarge the theater's mission to provide for more effective and speedy surrender, demobilization, and repatriation of Japanese.

*Present Situation.* Marines were sent to north China "to seize and hold" certain port areas, to assist in effecting the surrender and demobilization of Japanese forces, and to secure the ports and airfields, thereby making it feasible for the U. S.-China theater commander "to assist the Central Government in a rapid transport of Chinese Government forces to key areas in China" where they could assume the responsibility for demobilization of Japanese forces.

The U. S. Commanding General (Wedemeyer) states that the American forces, including Marines, have completed their assigned mission of assisting in the redistribution of Chinese Central Govern-

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<sup>40</sup> See circular telegram of September 13, 5 p. m., p. 558.

<sup>41</sup> Submitted on November 19 to the Under Secretary of State (Acheson); for discussion by the Secretaries of State, War, and Navy on November 20 of the problems presented in this memorandum, see p. 646.

ment forces to facilitate in disarming and repatriating Japanese. He recommends that the entire Marine force be evacuated from China.

There are an estimated million Japanese soldiers in north China, of whom possibly  $\frac{1}{3}$  have not yet been disarmed and demobilized. Virtually none have been repatriated. Many are still located in inland points.

There are about 160,000 National Government troops and an estimated 450,000 Communist troops in north China.

General Wedemeyer states that he has "placed sufficient Chinese Government troops in north China to disarm the Japanese and facilitate their repatriation were it not for Communist opposition". He points out that "open civil war may break out once the Marines are removed" but that "it may break out even though the Marines are not evacuated". He concludes that developments in north China "inevitably will involve our troops in incidents of increasingly serious nature".

(Alternative solutions on separate following pages.<sup>42</sup>)

[First Alternative]

(A) *Withdrawal of Marines.*

*Advantages:* By withdrawing the Marines (1) we would avoid, as General Wedemeyer has pointed out, involvement of our forces in incident of increasing serious nature arising from Chinese civil warfare; (2) we would silence widespread criticism that we were interfering in the internal affairs of China by supporting Chiang Kai-shek against the Chinese Communists; (3) we would allay possible suspicion on the part of our allies that we were seeking to establish for ourselves a special military position in China; and (4) we might cause Chiang, unsupported by us, to work more earnestly and sincerely to broaden the base of the Chinese Government by bringing in the Communists and other dissident elements.

*Disadvantages:* Withdrawal (1) would be interpreted by the Chinese Communists as complete success of their propaganda (Wedemeyer); (2) might cause a cessation of vitally needed coal shipments to Shanghai from northern China (Wedemeyer); (3) might cause a widening of the area of civil conflict; and (4) might cause Chiang to utilize Japanese forces to assist him in fighting the Communists.

*Implementing Action:* Notification to Chiang that the Marines are being withdrawn and the theater being deactivated by "X" date.

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<sup>42</sup> *Infra.*

## [Second Alternative]

(B) *Leave the Marines in north China without enlarging the mission of the U. S. China theater.*

*Advantages:* The advantages of this course would be that (1) civil war would be kept away from vital port and railroad areas; (2) American citizens and property in the area could be adequately protected; (3) coal exports to Shanghai could be continued; and (4) limited assistance in disarming and arranging for the repatriation of Japanese could be continued.

Disadvantages would arise from continued criticism of our interference in China's internal affairs on the side of Chiang and from the inevitable involvement of Marines in armed conflicts while we would not be able, because of civil warfare, to make any considerable contribution toward completing the all important task of getting Japanese disarmed and out of China.

*Implementing Action:* Notify Chiang that the Marines are being kept in north China for a limited period solely to assist in the demobilization and repatriation of Japanese troops, that civil warfare is making it both dangerous and difficult for the Marines to be effective in their mission, and urge Chiang to reform his government at an early date to give fair and effective representation to all political elements in the nation, thereby putting a stop to civil warfare and making possible the discharge of his responsibilities in connection with Japanese surrender.

## [Third Alternative]

(C) Enlarge the U. S. China theater mission, and retain the Marines, to provide assistance to the Chinese National Government in stabilizing conditions in north China and Manchuria.

Arguments in favor of this action are (1) possible intervention in China by Russia would be avoided; (2) utilization by the National Government of Japanese troops to fight Communists could be prevented; (3) the United States would be able "to capitalize upon the advantages gained in China" during the war (JCS); and (4) in the event of future disturbance in Asia we would have in China a friendly power.

Arguments against this action are (1) we would be intervening unilaterally, contrary to national policy, in the internal affairs of China in a direct and large way; (2) we would be backing a Government which, as General Wedemeyer states, is already showing itself politically inept in reestablishing itself in north China; (3) our intervention in assisting the Chinese National Government to reestablish itself by force in Manchuria would probably be resented by Russia;

(4) there is small likelihood that Chiang, even with our assistance, can by military methods bring about stability in north China and Manchuria of a lasting character; (5) American public reaction to intervention or assistance on a scale that would hold any promise of even temporary success would very likely be unfavorable; (6) any hope of persuading Chiang to settle his internal difficulties by political methods would vanish.

*Implementing Action:* Inform Chiang that we are prepared to transport additional Chinese troops to north China, to assist in transportation of troops to Manchuria, to attach U. S. Army liaison personnel to American trained units transferred to Manchuria; and at the same time inform the Chinese Communists that any interference offered by them to our plans for aiding Chiang will be met with force.

[Fourth Alternative]

(D) Enlarge the theater's mission to provide for more effective and speedy demobilization and repatriation of Japanese troops, especially from north China.

Arguments in favor of this action are (1) prolonged presence of Japanese in north China would have a very unhealthy effect on political developments in China; (2) the National Government might utilize Japanese troops as mercenaries to defeat the Chinese Communists; (3) our actions could be justified both nationally and internationally and, if carried out properly, could avoid criticism as constituting interference in Chinese internal affairs.

Arguments against this action are (1) in spite of careful handling we might become more deeply involved in internal affairs in north China; (2) actual difficulties of carrying out such a program because it would require cooperation on the part of Chinese Communists as well as the National Government and sympathetic understanding on the part of our allies; and (3) unfavorable public reaction to an extended stay in north China of Marines and a possible augmentation in their numbers.

*Implementing Action:* Inform Chiang (1) that we consider it advisable for us to act more directly and effectively in disarming and getting Japanese troops back to Japan; (2) that, in order for us to do this, it is essential that there be at least a truce between the National Government and the Chinese Communist forces providing for a temporary fixing of troop disposition in north China; (3) that we intend to communicate these views to the Chinese Communists in north China as well as to the Chinese Government; (4) that we expect Chiang and the Communists to utilize this period of truce to negotiate a firm and realistic agreement providing for fair representation of all

political elements in the Chinese Government and for cessation of hostilities; (5) that we or Chiang, as he chooses, will notify the other signatories to the Potsdam Declaration<sup>43</sup> of our plans to act directly and effectively to bring about the early disarming and repatriation of Japanese troops in north China; (6) that we shall in so far as possible speed up plans for shipping facilities out of north China and may, if necessary, augment our Marine forces in north China; (7) that care will be taken in carrying out our plan to avoid benefit to either National Government or Communist forces in so far as territorial occupation is concerned; (8) that upon completion of the plan we shall withdraw in the hope that a political settlement, if not already reached, will be speedily effected; and finally (9) that, if agreement is not obtained to our proposal, we shall withdraw the Marines from north China, deactivate the U. S. China theater and suspend any action on contemplated military, economic, or financial assistance to China until a solution of its internal difficulties has been achieved.

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893.85/10-2745 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 19, 1945—4 p. m.

1864. Chinese shipping requirements outlined inurtel 1878, October 27, 1 p. m. have been discussed with Maritime Commission, War Shipping Administration, who do not confirm Chinese Government's understanding that N-3 type ships are lying idle, but advise you following action in process to relieve Chinese shipping stringency.

1. War Shipping Administration has submitted to representatives of the Chinese Government a list of vessels presently in Eastern waters which are privately-owned by American citizens. Upon receipt of advices from the Chinese as to the suitability of these vessels for their purposes, the Maritime Commission's Division of Vessel Disposal and Government Aids will confer with representatives of the Chinese in an effort to consummate arrangements incident to the acquisition of the vessels by the latter.

2. In order to meet bulk cargo movements on the Chinese coast, principally of coal and rice, the War Shipping Administration is making available 5 Libertys and the Ministry of War Transport is making available 6 equivalent ships already in the Chinwangtao coal program, and hope to be able to provide additional tonnage to meet the balance of the program which it is estimated will require 20 ships all told. In addition to the above, the Ministry of War Transport advises that they aim at making available 100,000 gross tons of coastal shipping for the China coast, of which 50,000 should be achieved by the end of the year and the remaining portion by May of next year.

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<sup>43</sup> Issued July 26, 1945, Department of State *Bulletin*, July 29, 1945, p. 137, or Conference of Berlin (Potsdam), vol. II, p. 1474.

3. The Maritime Commission has authorized offering 10 N-3 type vessels for sale under competitive bid, under conditions which will permit United States citizens and foreign interests to submit bids. Representations in respect to Chinese requirements for shipping have been received by the Maritime Commission and War Shipping Administration from various Chinese sources, and they suggest desirability our ascertaining and advising them the proper channels through which discussions and possible negotiations relating to the purchase of vessels should be pursued with Chinese Government. Please discuss this point with Chinese authorities and advise.

War Shipping Administration further advises that in response to recent Chinese representations with respect to possible rapid transfer of vessels under some emergency procedure, question of accomplishing such transfer was explored, but that War Shipping Administration and Maritime Commission have not found it feasible, at this juncture, to take other action than that above indicated, and they have so advised Mr. Huang, Attaché of Chinese Embassy in Washington.

BYRNES

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Nanking Embassy Files, Lot F-73 : Telegram

*The Chief of Staff, United States Army (Eisenhower), to the Commanding General, United States Forces, China Theater (Wedemeyer)*

[WASHINGTON,] 20 [19] November 1945.

[War 84094.] Reurad CFBX 14735.<sup>44</sup> During conversation on the secretarial level this morning, Secretary of State developed the following line of approach with reference to your CFBX 14735, stating he intended to check his proposed line of action with the President:

1. The Marines should remain in North China for the time being on the assumption they will play an effective role in the completion of disarmament and deportation of the Japanese forces in that area and who might but for their presence remain there. State Department understands that Wedemeyer contemplates that responsibility of disarming and deporting Japanese is a matter for Chinese but raises the question that Chinese may need considerable assistance and stimulation from U. S. Forces if deportation is actually to be accomplished. In meantime, it is not (Change: is it not) desirable that Marines or other forces be maintained in port areas to assure availability of these

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<sup>44</sup> Telegram of November 16 from the Commanding General, U. S. Forces, China Theater, to the Chief of Staff, U.S. Army (Marshall), p. 635.

areas for the movement. While the U. S. does not wish to support the National Government directly against the Communists, it is recognized that U. S. activities designed to assure the removal of Japanese from North China will result in some collateral aid of prestige in favor of the National Government vis-à-vis the Communists. Conversely withdrawal now may mean substantial frustration of a policy we have long supported which contemplated unifying China and Manchuria under Chinese National Forces. As to the matter of more Chinese armies for Manchuria, the U.S. will not transport any more troops to that area and the U. S. will not support the National Government vis-à-vis the Communists except in so far as necessary to get the Japanese disarmed and out of China. This ends State Department proposed public stand as understood in the War Department.

2. Secretary of State has requested that War Department obtain your appraisal of foregoing and ascertain whether you consider it reasonable to state that presence of U. S. Forces in North China is required or desirable in connection with eliminating Japanese from North China and Manchuria. Specifically, do you consider that without further U. S. assistance the Chinese will be able to clear the Japanese first from North China and second from Manchuria. Further, do you believe National Government intends to deport from North China and Manchuria such civilian Japanese as have been left there by Russians.

3. Further question occasioned by the foregoing is the extent of assistance, including shipping, that you consider must be given in order to expedite the deportation of the Japanese from the area and impact on your plans for the inactivation of Theater.

4. State Department has raised question of long range impact from military standpoint of repercussions likely to result from

- a. immediate withdrawal of U. S. Forces from North China,
- b. continuance of U. S. Forces in the North China area for the present. Request your view.

5. State Department desires an urgent answer to paragraph 2 above so you may desire to furnish answers to other questions herein in a second message. Other reference messages to this are Warx 83938<sup>45</sup> and Warx 82254.<sup>46</sup>

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<sup>45</sup> Not found in Department files.

<sup>46</sup> Telegram of November 9 from the Joint Chiefs of Staff to the Commanding General, U. S. Forces, China Theater, p. 611.

893.00/11-2045

*Minutes of the Meeting of the Secretaries of State, War, and Navy*

[Extract]

[WASHINGTON,] November 20, 1945.

Present: The Secretary of State  
The Secretary of War accompanied by Assistant Secretary  
of War John J. McCloy and Colonel Charles W. Mc-  
Carthy  
The Secretary of the Navy and Major Correa  
Mr. Matthews

## POLICY TOWARD CHINA

MR. BYRNES brought up the question of the problem presented by the presence of our Marines in North China and the purpose of their remaining there. He referred particularly to the advantages of retaining them for the time being to repatriate Japanese from that area. He then read a memorandum prepared for him in the Department of State<sup>47</sup> outlining the present situation, setting forth the various advantages and disadvantages involved in the question of whether or not to withdraw our Marines and the action required to implement either solution. A copy of the memorandum is attached as Annex A. MR. FORRESTAL said that it seemed to him that we are on sound ground if we say that our Marines are in North China to complete the task of the defeat of Japan. If we say that we are there for the purpose of backing Chiang Kai-shek we would be subject to considerable criticism. He referred to a recent editorial of Mr. Luce in *Life* advocating support of Chiang and said that Mr. Luce had told him that so far he had had a good reaction to his editorial.

MR. PATTERSON said that 90% of the job of whipping Japan has been done and the remaining 10% is easy. It involves keeping the ports open and the railroads running in order to evacuate Japanese from China. If we follow such a policy he thought Chungking would back us, as Allies, but he is doubtful whether Chiang could do it alone. He sees no peril in increasing our commitment. He thought that the 60,000 Marines who are there could walk from one end of China to the other without serious hindrance. Such incidents as there have been are merely comic opera fighting. In reply to Mr. Byrnes' question MR. FORRESTAL said that so far there had been no Marine casualties other than one man who had hurt his back. MR. PATTERSON pointed out that of course the Marines there are anxious to get home just as all our forces are everywhere. MR. FORRESTAL said that he did not like to see us withdraw as a result of Russian pressure. MR. PATTER-

<sup>47</sup> Memorandum of November 19 by the Director of the Office of Far Eastern Affairs (Vincent), p. 639.



SON said that our Marines are in fact there to effectuate the repatriation of the Japanese and if the incidental effect of their presence is to support the Government of Chiang Kai-shek so much the better. He said that he believed that this was in line with the policy of both President Roosevelt and President Truman and that we already have a considerable investment in that policy. MR. BYRNES remarked that both sides in China seem to be playing for Japanese support. He said that the Japanese must have heard reports of the fate of their fellow nationals who were in Manchuria and he believes that most of them would prefer to go back to Japan rather than take a chance on what would happen to them with the Russians in the light of the large scale deportation to Siberia.

MR. McCLOY then read a telegram which was sent to General Wedemeyer last evening<sup>48</sup> asking for certain factual information and for an evaluation of possible courses of action. He said that this telegram gives General Wedemeyer an opportunity to express his views with regard to the long range future. To date General Wedemeyer has only said that his mission has been completed. MR. BYRNES said that he had told the President that he had asked our military authorities' views on the wisdom of getting the 800,000 Japanese out of China.

893.00/11-2045

*The Navy Department to the Department of State*<sup>49</sup>

WASHINGTON, 20 November 1945.

The following dispatches, dated 16, 17 and 18 November 1945, from the Commander, Seventh Fleet, are paraphrased for the information of the Department of State:

16 November 1945

"It is expected that in the near future Japanese will be repatriated from North China at a rate of 45,000 monthly. 6,500 have thus far been repatriated from Taku. The First Marine Air Wing, under orders to attack anyone in the open firing on Marines, demonstrated over Huyuh area. The aircraft did not take offensive action. Communist forces continue to interrupt communication lines in North China. Report has been received to the effect that two officers and four enlisted men were uninjured when a TBM plane was forced down 90 miles due south of Peiping on 10 November. Personnel are being held by the 8th Route Army, with which representations for release have been instigated. After investigating six large cargo ships (USSR) and a beached PBY at Port Arthur, an American aircraft

<sup>48</sup> Telegram War 84094, November 19, from the Chief of Staff, United States Army, *supra*.

<sup>49</sup> Sent from the Office of the Chief of Naval Operations to the Division of Foreign Activity Correlation.

(Mariner) was closed by a Russian fighter a short distance southeast of Port Arthur. The Russian plane maintained contact until the Mariner was 40 miles south of Dairen at which position it attacked. Fortunately the plane was not hit.

17 November 1945

"The Commanding General, Third Amphibious Corps, advises train attacked north of Luanhsien. The roadbed and 300 yards of track were destroyed. Continued operation of the railroad is vital to shipment of Marine supplies and coal to Shanghai. The Generalissimo, as well as the Communist leader, Chou-En-lai, have been advised with respect to the General Peck incident. It is obvious that the Communists are endeavoring to create an incident. The Communist Army is withdrawing as the CNA Army is breaching the Great Wall at Chiumen. Enroute to Mukden is the Nationalist 52nd Army presently at Shanhaikwan. Headed for Tsinan is the Nationalist 4th Army, which landed at Tsingtao. Communists, according to the 6th Marine Division, are attacking the Japanese at Liu-Ting Airfield, as well as the railroad south of Liu-Ting. Referring to yesterday's dispatch, General Wedemeyer has requested the Communist leader to release immediately personnel of the TBM which was forced down.

18 November 1945

"Two Nationalist Armies (3rd and 16th) are enroute to Peiping. They are now at Chih-Chia-Chuang. An estimated 700 unidentified troops attacked Nationalist troops outside Tientsin with minor casualties resulting. Between Chiao-Hsien and Tsang-Kou eight culverts and two railroad bridges have been destroyed. It is estimated that there are in Shantung 61,473 troops and 20,076 Japanese civilians. It is reported that the Chinese plan to concentrate Japanese civilians at Tsingtao. It is further reported that 1,200 Japanese troops are fighting the Communists at Miyun. Nationalist Headquarters ordered the Japanese to resist."

JOHN L. MCCREA  
Rear Admiral, USN

893.00/11-2045: Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*<sup>50</sup>

SHANGHAI, November 20, 1945—5 p. m.  
[Received November 22—7: 50 a. m.]

240. 1. Following information is from Commercial Attaché Calder utilizing his local contacts and background:

a. It is reported by members Soviet Club that Soviet Consulate will reopen shortly. Consulate has been officially closed in recent years obviously to avoid dealing with Nanking puppet régime but had consular representative from Soviet Embassy [at] Tokyo resident here. Delay in reopening since V-J Day seemed to indicate uncertainty

<sup>50</sup> Repeated by the Secretary of State in telegram No. 2405, November 28, 1 p. m., to the Ambassador in the Soviet Union (Harriman).

with regard to policies for dealing with problem of local Russian population and for dealing with regional Chinese authorities. If report regarding opening is correct, it would indicate these policies now crystallized and that among other things definite action will be taken with regard to citizenship of local Russians. Some 12,000 of these are reported to have made application for Soviet citizenship since June 1941 while the Russian Emigrants Committee has 11,000 non-Soviets registered. Apparently many are registered both places so actual number local Russians not known exactly but probably between 15,000 and 20,000.

*b. New Life*, regarded as semi-official Soviet paper, November 13 published news items quoting Chinese paper as stating that Soviet merchant vessels will shortly arrive Shanghai from Vladivostok bringing medical supplies and printed matter. Unpublished reports believed reliable in Shanghai Soviet circles are that Soviet Government as friendly gesture to China will offer to repair the buildings of Chinese hospital in Nantao District and supply it with full equipment. (Effort will be made check through Chinese sources.)

*c.* Certain students of Soviet Far Eastern policies believe latter's present aims are make 38th parallel of latitude southern border of Soviet sphere for time being and until further penetration becomes feasible. This would bring Hokkaido, northern tip Honshu, Soviet occupied Korea, etc., west to the Tajikistan border with possible exception of Peking-Tientsin area within Soviet sphere. Recent developments and action taken or instigated by Soviets north of this parallel from Japan to Tajikistan point to this objective. The creation of a deadlock with the U. S. over control of Japan probably as a means to postpone indefinitely withdrawal from Manchuria, recently reported Soviet seizures of small islands in close proximity to eastern extremity of Hokkaido which islands can scarcely be regarded as part of Kuriles which were apparently conceded to Japan at Yalta,<sup>51</sup> apparent Soviet support and collusion with Chinese Communists at ports in the Liaotung Gulf and in Inner Mongolia, the various disturbances carried on in Sinkiang by tribes closely affiliated with the populations of the Soviet Central Asia Republics, and the circumscribing of activities of Chinese officials sent by Chungking Government to Manchuria, all appear to substantiate this thesis. It is thought likely that in negotiations for settlement of the deadlock Soviets will demand control of Hokkaido and of northern tip of Honshu north of 38th parallel on grounds that for security and defense they will require control of both sides of La Perouse and Tsugaru Straits as an inner line of protection secondary to outer Kurile chain barrier.

*d.* Should such demands not be readily acceded to, it is assumed that this ultimate objective will be pursued more deliberately by means of infiltration of Soviet-trained Jap Communists, the aim being to bring about ultimate Soviet control of Japan, employing the technique of "self-determination", American expressions favoring this principle presumably being used to advantage at all points along the 38th parallel.

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<sup>51</sup> See Department of State *Bulletin*, February 10, 1946, p. 189; for text of agreement signed at Yalta, February 11, 1945, see *ibid.*, February 24, 1946, p. 282 or *Foreign Relations*, Conferences at Malta and Yalta, 1945, p. 984.

e. It is, of course, impossible to gauge correctness of foregoing forecasts but developments so far would indicate a shaping of affairs somewhat successfully in furtherance of Soviet designs with thwarting of American aims and expectations.

2. Calder and I would appreciate an expression from Department regarding value this type of study and continuance of reports on this subject.<sup>52</sup>

Sent to Dept, repeated to Chungking.

JOSSELYN

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Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, U. S. Forces, China Theater (Wedemeyer),  
to the Chief of Staff, United States Army (Eisenhower)*

[SHANGHAI,] November 20, 1945.

[CFBX 15120.] Following message provides résumé designed to assist in solution of problems presented by developments in China. The American Minister Walter Robertson has seen this message and heartily concurs:

[PART I]

Evaluation of over-all situation in China was intentionally withheld until sources of information could be contacted and the implications of events transpiring in the China Theater could be carefully and objectively analyzed. I have visited the Peking area and discussed the situation with the Marine Corps Commander (Major General Rockey) and a Marine Division Commander (Major General Shepherd) presently located in Tsingtao. Also many nationals including British, French, Dutch and Chinese leaders were most anxious to talk, particularly about current and future conditions in the Northern Provinces. In Shanghai I have talked to many nationals including Chinese leaders and have reviewed the situation with members of U. S. China Theater staff located there. Five days in Chungking where I had several conferences with the Generalissimo, Doctor T. V. Soong, the Minister of War,<sup>53</sup> the Minister of Finance,<sup>54</sup> General Ho Ying-chin,<sup>55</sup> American Minister Robertson, the British Ambassador,<sup>56</sup> the French Ambassador<sup>57</sup> and U. S. officers who are per-

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<sup>52</sup> In telegram No. 316, December 18, 8 p. m., not printed, the Consul General was instructed to continue such reports and to make them more complete.

<sup>53</sup> General Chen Cheng.

<sup>54</sup> O. K. Yui.

<sup>55</sup> Commander in Chief of the Chinese Army.

<sup>56</sup> Sir Horace J. Seymour.

<sup>57</sup> Gen. Zinovi Pechkoff.

forming liaison duty with Chinese Government. With that background I submit herewith information, analyses and recommendations which may be helpful in formulating continued policies and reaching decisions with regard to U. S. Forces in China Theater.

I believe that Generalissimo Chiang Kai-shek is sincere in his desire to bring about stability within the country, to initiate democratic procedures, to unify China and to implement wide sweeping social reforms. Considering his background, training and experience as warlord, politician and his oriental philosophy, his approach to problems presented would probably be inefficient, incomprehensible and unethical by American standards. The task is beyond the capabilities of one man. He lacks not only the organization but also competent advisors and assistants. The Generalissimo is selfless in his approach to the problems presented, however, he is surrounded by unscrupulous men who are interested primarily in their self-aggrandizement. The Generalissimo is extremely loyal to those warlords and officials who have supported him in the past. Consequently, even though they are unscrupulous and/or incompetent, he appoints them to responsible positions in the Government. They exploit the opportunities presented. Further they appoint worthless subordinates in lesser positions. Many are members of same families or have connived in chicanery in the past.

To clarify further, the integrity of Chinese political leaders and businessmen might appropriately be contrasted with that of Americans in similar positions. The Chinese businessman has and usually conforms to an exemplary code of ethics, whereas the Chinese politician operates with the object of enriching himself through chicanery and machination. In fact, it is commonly recognized in China that governmental positions are normal lucrative means by which one can amass great fortune. In America businessmen are accepted as a class that might amass great wealth. Their methods would not always however bear close scrutiny. In governmental positions Americans on the other hand uniformly follow an ethical course and only in isolated instances acquire great wealth through unscrupulous political manipulation or through dishonest government processes.

I am confronted daily with problems created by the above type of officials who deal constantly in intrigue and machinations. For example, a senior Chinese General has been dealing surreptitiously and unilaterally with the Japanese General Okamura in the use of Japanese shipping available in Chinese waters. It had been carefully explained to the Chinese General that such shipping must be pooled in the Allied effort to accomplish rehabilitation and repatriation in the Far East. This is only one of numerous instances where high officials operate unilaterally, surreptitiously and corruptly rendering coordination

and effective accomplishments difficult, if not impossible. I report such circumstances to the Generalissimo but there are so many of a similar nature, it is readily apparent and understandable that he is bewildered and impotent in evolving a solution.

The Generalissimo appointed uniformly Southern Chinese to key posts, governors, mayors, etc., in the Northern Provinces. Apparently he does not have confidence in Northern Chinese. These appointments have embittered the people of the North and thus further retard military, political and economic stabilization in the area.

There is some evidence that the Chinese are determined to exclude and/or restrict foreigners particularly British, French, Russians and Dutch in a commercial sense. Prewar most of the utilities, lines of communication and industrial establishments were financed and operated by foreigners. There are not available sufficient Chinese executives or technicians to take over the operation of these facilities. Industrial effort is presently stultified and economic stabilization is impracticable, even in those areas where Central Government Forces have undisputed control. Appropriate measures for recovery will be impossible unless foreigners are permitted to function with a reasonable amount of initiative and authority.

I have pointed out all of the above observations very frankly and clearly to the Generalissimo. I strongly urged that foreigners be retained to assist in economic recovery, indicating that this appeared essential at least until the Chinese produced from among their own nationals sufficient trained executives and technicians capable of assuming the inherent responsibilities. Also I recommended that Northern Chinese be appointed governors and mayors in Northern Provinces and that the people be permitted to elect district magistrates. Further I suggested that civilians should be considered for these important posts hoping thereby to eliminate the military hierarchy presently and disastrously entrenched.

The Chinese Central Government appears to have a modicum of control in the area including the Yangtze Valley and south therefrom, commonly referred to as South China. With foreign assistance as above depicted, economic stability could probably be accomplished promptly particularly if small industries were created and operated efficiently.

In most of the area north of Yangtze Valley extending to the Great Wall, referred to as North China, Central Government control is strongly and at present effectively disputed by the Chinese Communists. I believe that the average Chinese in North China are in an understandable quandary relative to the political implications of Central Government vis-à-vis Chinese Communists' control. They have been strongly propagandized by the Communists who have em-

phasized the corruption and inefficiency of Central Government officials. Those who tend to support the Generalissimo are subjected to intimidation by the Communists.

I have advised the Generalissimo to concentrate his effort upon establishing control in North China and to execute promptly social and political reforms designed to remove prohibitive taxes and the practice of corruption by officials. I again suggested that the assistance of foreign executives and technicians who had been operating in the area prior to Japanese occupation should be retained, at least during the period China's political and economic adolescence.

With reference to Manchuria, a complex situation has developed. The importance of Manchuria both economically and psychologically to China is recognized by the Generalissimo as well as by the Communists, both Chinese and Soviet. Russian military forces quickly overran that area in August and are reported to have indulged in loot, rape and pilferage. Their program according to reports included the destruction of property that they did not desire or that could not be removed. Further the Generalissimo informs me that the Russians surreptitiously, often openly, collaborate with the Chinese Communists in making Japanese arms and equipment available and in placing definite obstacles in the way of Chinese Central Government troops when attempts are made to move them by sea and/or air to Manchuria. The Chinese do not have sufficient or appropriate resources to recover North China, and concurrently to launch a successful military and political campaign for the recovery of Manchuria under existing circumstances. Further definite demands will be made upon Central Government resources to maintain order and to facilitate economic recovery in South China.

Actually I do not feel that the Central Government has sufficient forces to gain and retain control of North China at least for many months, possibly years. The area is vast, communications limited and loyalty of population doubtful. Communist guerrillas and saboteurs can and probably will, if present activities are criteria, harass and restrict movements of Central Government Forces to such a degree that an extended, costly campaign will result.

The Generalissimo planned and urged me recently to provide U. S. air transport to move two armies from the Tientsin-Peking area to Manchuria. Logistical support for these forces and measures for their security in the heart of Manchuria had not been fully appreciated by the Generalissimo or his Chinese staff. Consideration of these factors and the lack of appropriate forces as well as transport caused me to advise the Generalissimo that he concentrate his efforts on the recovery of North China and consolidate his military and political positions there prior to attempting to occupy Manchuria. I received the impression that he agrees with this concept.

I pointed out that the Americans had assisted the Central Government in moving sufficient Chinese armies into North China, North FIC<sup>58</sup> and Formosa for the explicit purpose of disarming and facilitating the deportation of the Japanese. With reference to Manchuria sufficient armies were moved to occupy that area but entrance therein was prevented by Chinese Communists and Soviets. I also indicated that I am not authorized to employ American Forces and resources to move additional Chinese Central Government troops and/or equipment under existing directive because, irrefutably, such action would provide direct assistance to the Central Government Forces in their operations against Chinese Communists.

Related to the above is the position that developments in China have created in connection with my duties as the Generalissimo's Chief of Staff and concurrently as American Commander. The Generalissimo rightfully expects me to advise him in formulation of plans and in the procurement of assistance in the solution of his internal problem, which are at present essentially full-scale operations against Chinese Communists. When the President authorized designation of an American as the Generalissimo's Chief of Staff, I feel certain that he did not visualize that I, or any officer on active duty in the Army, should serve as the Generalissimo's advisor in matters pertaining to political and internal affairs and more important to fratricidal or internecine warfare. When in Washington recently I suggested for this reason that the officer appointed as Chief of the Military Advisory Group should not be permitted to serve in any capacity on the Generalissimo's staff or in the Chinese Government. Pertinent example: Only recently the French Consul General in Shanghai requested my assistance in connection with several hundred Frenchmen who were disarmed in Shanghai area by the Japanese. The Chinese have now recovered the French equipment however they refuse to return it to the French. I explained to the French Consul General that this matter should be taken up direct with the Chinese Government. He replied that he submitted his appeal to me as the Generalissimo's Chief of Staff. Another example: The Generalissimo asked me to contact the British in Chungking in order to secure shipping for the movement of additional forces to the North. I did this and the British were most sympathetic however they recounted the many British grievances including what they termed discriminatory acts and restrictions against British subjects who have heavy investments and important commercial interests in China and who desire to resume their various activities. The British strongly urged me to prevail upon the Generalissimo to take remedial action. I am asked to scratch the back of the British Lion to insure that the British Ambassador

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<sup>58</sup> French Indochina.



will do some scratching along the tortuous spine of the Chinese Dragon.

In North China the Generalissimo is determined to retain the Marines in their present areas. In fact he would like to have them extend their occupational areas to include long lines of communications. His plans envisage using the Marines as a base of maneuver. Instead of repatriating Japanese his plans and efforts are now concentrated upon conducting a campaign against the Chinese Communists. As indicated above such campaign may last for several months or years. In the meantime the Marine Forces are subject to unavoidable incidents which may involve the United States in very serious difficulties and commitments. The implications of removing the American Forces including the Marines in China have been carefully considered in suggesting that we withdraw all of our men from the area. Under the present circumstances it is impossible to avoid involvement in fratricidal warfare or political strife, yet I am admonished by my directive to do so. As I view it, the presence of American troops in the Far East is for the expressed purpose of accomplishing world order and insuring continued peace. However, I doubt that the American people are prepared to accept the role inherent in world leadership under the United Nations Charter. In removing our men we can be justly accused of deserting an ally in a critical period. We now recognize that China is incapable of repatriating the millions of enemy troops and civilians within her borders and also solving her political and economic problems.

*Conclusions:*

*a.* The Generalissimo will be able to stabilize the situation in South China provided he accepts the assistance of foreign administrators and technicians and inaugurates economic, political and social reforms through honest, competent civilian officials.

*b.* He will not be able to stabilize the situation in North China for several months perhaps years unless a satisfactory settlement with the Chinese Communists is accomplished, followed up realistically by action indicated in subparagraph *a* above.

*c.* He will not be able to recover Manchuria for many years unless again satisfactory agreements are reached with the Chinese Communists and Soviet Government.

*d.* A satisfactory understanding between the Chinese Central Government and the Chinese Communists appears remote.

*e.* The Soviet Government is in effect creating favorable conditions for the realization of Chinese Communist and possibly their own plans in North China and Manchuria, this in contravention to recent Sino-Soviet agreements.

*f.* The continuation of American Forces in the China Theater particularly in the North will inevitably lead to serious involvement in fratricidal warfare and possibly in a tense and dangerous situation with Soviet Government.

*g.* The dual capacities of American Commander and Chief of Staff to the Generalissimo are no longer tenable.

*h.* The Americans have given appropriate and full assistance in consonance with existing Theater directive by moving with American air and sea transport Chinese Central Government Forces to disarm and facilitate the deportation of the Japanese in North China. However these Chinese Forces are now being largely diverted and employed against Chinese Communists and/or dissident groups.

*Recommendations:*

United States Government notify the Chinese Government:

*a.* That the American Commander can be immediately relieved as the Generalissimo's Chief of Staff in that this appointment was approved during the war with a view to coordinating the Sino-American combat activities against the common enemy, the Japanese.

*b.* That my decision to remove, as early as practicable, all American Forces in China Theater, including Marines, be confirmed or my existing directives be changed to justify under U. S. policies their retention and employment in the area.

*c.* That plans and arrangements for the implementation of the projected American Military Advisory Group be continued, however, actual consummation be withheld until the United States is satisfied that appropriate political and military stabilization in China has been accomplished.

## PART II

The following considerations cover the broader aspects and the strategic implications of the situation depicted in Part I (above). The policy of China to attain the goal, frequently stressed by the Generalissimo, namely the establishment of a strong, unified, democratic China will be definitely influenced if not actually determined by the policies of and the amount and form of assistance given by foreign nations including the United States, the British Commonwealth, France, Holland and Soviet Russia, particularly the last named country.

It is my considered opinion that China is not yet capable of implementing, nor is she psychologically prepared for, democratic procedures in government. China is experiencing the difficulties that history accurately records in Western Europe when countries in that area passed from an amorphous mass of feudalistic dynasties to more homogeneous monarchies and republics. It is in the interest of world peace and advancement that China should be able to transcend from

the medieval state to a democratic form of government by processes of evolution as opposed to bloody, chaotic revolution.

Based on the premise that China's resurgence will be determined by the assistance and policies of the world powers, it is fitting that we first examine Soviet Russia's possible policies because China and Russia are in close juxtaposition geographically with several thousand miles of common border and further, there exist in China certain facilities which are of paramount interest to Russia both commercially and militarily. It appears that Soviet Russia may pursue one of the following two courses of action.

*a.* She may become intensely nationalistic and continue the policy epitomized the past few years by Stalin in the program of building a strong internal structure, industrially and politically. Concurrently she may establish on her frontier a buffer of areas in which she maintains the initiative. This is a *fait accompli* in Western Europe for in the *Balticum* States, Eastern Poland and throughout the Balkans she maintains paramount sphere of influence. It is reasonable to assume that she will also establish such buffer areas in the Middle and Far East. At present there are indications of strong Russian military forces in the Caucasus with a view to intimidating Turkey, Iran and Iraq. Her actions in Korea, Manchuria, Outer Mongolia, Inner Mongolia, Jehol, Chahar and Sinkiang Provinces suggest the pattern for the Far East where she may create conditions similar to those now existing on her western frontiers in Europe.

*b.* Russia may have adopted the policies described in subparagraph *a* above as an expedient to cope with the situation created by the war and thereby permitted international revolutionary features of communism to remain quiescent. She may now adopt an aggressive policy and utilize the buffer areas above referred to as spring boards for ideological penetration and territorial expansion by employment of military force. Her intention to implement such a policy may be indicated by worldwide invidious propaganda, establishment of Communist cells in South America, Afghanistan and through Arabic areas, overt activities in Manchuria, Korea and North China, and more than normal interest in MacArthur's stabilization program for Japan.

It is my considered opinion that Russia is not prepared to implement successfully the policy covered in subparagraph *b* above. Thousands of her cities, towns and villages must be rehabilitated. Her industries even prewar were not effectively operating, although strongly permeated by American, British and German technicians. Large numbers of Russian soldiers have come in contact with the Armed Forces of Allies and have received information concerning democratic procedures and the standards of living outside of Russia that strongly refute the disparaging propaganda to the contrary. There is increasing evidence also that bureaucratic procedures are being followed in Soviet Russia and in numerous ways the basic communistic tenets of Karl Marx and Lenin are being abrogated. It probably will be

many years before Russia would be sufficiently strong to undertake successfully an international program as depicted in subparagraph *b* above. For many years prior to June 22, 1941, the press and radio of most countries in the world bitterly assailed communism with its associated atheism, programs, regimentation, stultification of free enterprise and restriction of human liberties. After the Germans attacked Russia there was a complete about face and justifications were found in the Allied press to ameliorate public opinion and to justify military alliance. It is only natural that the Russians are suspicious of our motives today and are preparing bulwarks against possible interference with whatever program they adopt. Coupled with these facts, when one considers that the vast majority of the Russian people are not true Communists but are actually being controlled by a small group whose powers equal or may even surpass those of the Czarist Rulers, it is logical to assume that Soviet Russia's policies today will conform to those defensive stratagems depicted in subparagraph *a*.

There is one other important consideration should communism spread unabated and effectively throughout the Far East that may influence the future policy of the United States and other powers interested in democratic or capitalistic forms of government. There are approximately 450 million people in China, 390 million in India, 100 million in Japan and Korea, and 100 million through the Philippine Archipelago, the Melanesian and Micronesian Islands, Netherlands East Indies, Malay, Burma and Indo-China, totalling about 1 billion 40 million persons, over half the population of the world, who might embrace communism in various forms. If we were to add to this number the approximate 190 million in Soviet Russia and the several million scattered through Western Europe and in other parts of the world, it will readily be apparent that strategically the position of democratic and capitalistic countries would be seriously jeopardized or rendered impotent.

American policy has always supported the aspirations of China to attain unity and a democratic form of government. The present situation however might indicate that several million Chinese are opposed to the attainment of that goal. Interference in the internal affairs of China would not only be repugnant to U. S. foreign policy recently enunciated in the President's Navy Day Speech<sup>59</sup> wherein the principle of self-determination was reaffirmed, but also might involve the U. S. in serious dispute or possibly war with Soviet Russia.

Traditionally our policy has insisted upon the territorial integrity of China and has always opposed the domination of China by any one power. We have not attempted colonization in the Far East but

<sup>59</sup> Department of State *Bulletin*, October 28, 1945, p. 653.

have encouraged western economic, cultural, religious and political influences.

China represents a bridge between East and West. Today, as the result of the emergence of a powerful Soviet Russia, China is also a political and economic arena of the world's two greatest powers, Soviet Russia and America. If China were to become a puppet of the Soviet which is exactly what a Chinese Communist victory would mean, then Soviet Russia would practically control the continents of Europe and Asia. Domination of so great an expanse, particularly by a totalitarian power, would jeopardize world peace. We were determined to prevent Japan from making China a puppet power. It is believed even more important, if we are to realize our policies with reference to China, that Russia not be permitted to do so.

The question may properly be asked—are we backing the wrong horse or is there realistic justification for the hope that China may emerge from her difficulties? When the Japanese attacked China, the Generalissimo was undertaking an industrial and political revolution to achieve self-government and unity, to provide barriers against foreign economic domination, and to effect social changes including the emancipation of the coolies and peasants. He was making splendid progress and this is often alluded to as the real cause of the Japanese attack in 1937. The militarist felt it necessary to strike before China became unified and strong,—a realistic threat to Japan's program of aggression in the Far East.

The proof of the progress made and of the unity achieved includes the fact that China survived the loss of all her newly developed industries, her ports and communications with the outside world. Although almost denuded of weapons and industrial support, China, as a totally blockaded nation, waged war for nearly 8 years and performed this miracle under the Generalissimo and under the present Government. It appears logical to retain confidence in China's ability to solve her problems. In consonance with present U. S. policy of noninterference with internal matters, we should continue to provide encouragement and material aid to the recognized Government of China. However we should not participate militarily during the process of evolution or revolution within the Chinese Government unless world peace is definitely jeopardized thereby.

It would appear sound therefore to withdraw all U. S. Military Forces from China proper and thus remove any chance of involvement in the internal affairs of China. Concurrently we could provide arms and equipment as well as raw materials for newly created and revitalized small industries and also we could import processed goods.

The United States, Great Britain and Soviet Russia recognize China's legal and ethnological rights to Manchuria. Should we not

invoke their combined aid to protect those rights? This seems to be a logical step from the U. S. viewpoint to preclude that area from becoming a Russian satellite or puppet government. The United States could invite Great Britain, China, Russia to join in an immediate trusteeship over Manchuria and Korea until China as a government is sufficiently strong and stabilized to assume the responsibilities of full control in that area. Korea's autonomy could be determined after her people give satisfactory evidence of their capability to govern themselves.

*Recommendations:*

a. Withdraw as early as practicable all U. S. military personnel from the China Theater and concurrently provide continued and increased economic assistance to the existing recognized Chinese Government; or announce a U. S. policy indicating determination to continue military and economic support to the Chinese Central Government until the Japanese troops and civilians in the area have been repatriated to their homeland and until China has evolved sufficient internal strength to assume her rightful role in the family of nations. (This latter course would entail a change in my Directive.)

b. Establish immediately trusteeship under United States, Russia, Great Britain and China over Manchuria and Korea. Duration of this trusteeship to last until these four nations agree that China is prepared to assume the responsibilities for control of Manchuria and that the Koreans themselves are prepared for complete autonomy.

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893.00/11-2345 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 23, 1945—8 a. m.

[Received 9:40 a. m.]

2022. The Generalissimo requests that we convey the following message to President Truman:

“My Dear Mr. President, With considerable reluctance I address to Your Excellency this urgent appeal for further United States assistance which has been so unstintingly and effectively given to China in the past. However, a situation has been created by circumstances over which neither I nor my people can exercise influence or accomplish a solution without your much valued counsel and material aid.

Having just concluded a long conference with my Chief of Staff, General Wedemeyer, it is manifest that his existing instructions and available means prevent him from complying with my urgent request to move additional forces to North China with American resources.

A careful evaluation of the situation created by Soviet Russia's connivance with Chinese Communists, a breach of good faith which was wholly unexpected by the Chinese and, I am sure, by the United States Government, renders mandatory the immediate deployment of loyal and effective troops to Hopeh, Shantung, Jehol, Chahar, and Suiyuan Provinces in order that China may fulfill her obligation to repatriate the approximate 800,000 Japanese civilians and to accept the surrender of the Japanese Forces in the general area. I respectfully invite your attention, Mr. President, to the fact that appropriate Central Government Forces were moved with United States assistance to North China and the disarming of Japanese forces was promptly initiated. However, unexpected wholesale armed interference on the part of the Chinese Communists, who were in various ways supported and assisted by the Soviet, prevented continuation of this vital task. The implications of permitting thousands of armed Japanese soldiers as well as civilians to remain for an extended period of time are obvious. But with the situation now created by the Chinese Communists, it is now necessary to dispatch increased forces to the area concerned to accomplish the disarming and deportation of the enemy in compliance with General MacArthur's instructions. A careful survey indicates that five additional armies must be moved to the area embracing the northern provinces above named and I urgently request that the United States provide shipping as early as practicable for this purpose. It is my conviction that the Central Government of China will then be capable of fulfilling its assigned mission of repatriating the Japanese in the area and also of maintaining order. It is my purpose to withdraw immediately Chinese Central Government officials previously sent to Manchuria and also to postpone entrance into that disputed area until law and order have been established and the repatriation of Japanese has been accomplished in North China. Regarding this situation, I shall not elaborate here as the details have been wired to Ambassador Wei Tao-ming for Your Excellency's information. The concern of your people with the possibility of American Forces becoming involved in fratricidal warfare is fully shared and understood by my countrymen. It is my sincere hope that the fruits of victory for which the Chinese fought and sacrificed the past 8 years could now be enjoyed in a period of reconstruction that visualized new liberties, democratic procedures and prosperous undertakings in an era of peace and tranquility. The Chinese people are deeply grateful for the friendship and generous support which the Americans under the late President Roosevelt bestowed upon them. They are cognizant of your sincere interest and kindred reaffirmation of Mr. Roosevelt's policies and in the continuation of the historical bonds of friendship existing between our two countries. With deep and sincere appreciation of past considerations, I am, Mr. President, faithfully yours, Chiang Kai-shek.["]

ROBERTSON

893.20/11-2345 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 23, 1945—3 p. m.

[Received, November 23—8:45 a. m.]

2023. General Wedemeyer has sent long top secret message<sup>60</sup> to General George C. Marshall<sup>61</sup> summarizing military situation in China and making certain recommendations which require political as well as military consideration at highest policy levels. Message was discussed in meeting in General Wedemeyer's apartment in Shanghai Monday evening November 19 attended by Lieutenant General Stratemeyer, Commanding General, U. S. Army Air Forces, China Theater; Major General Maddocks, Chief of Staff, China Theater; Major General McClure, Commanding General, Chinese Combat Command; Colonel Creasy, Commanding Officer, Residual Teams, Kunming; and myself. I was asked if I agreed with conclusions reached. I replied that if premises as to military situation were correct (which of course were not subject to question by me) I heartily concurred. No copies of message were made available to me and I was asked to hold information contained therein highest confidence. I assume message will be immediately discussed with the Secretary and Ambassador Hurley.

[ROBERTSON]

Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Eisenhower)*

[SHANGHAI,] November 23, 1945.

[CFB 15452.] The retention of the Marines in North China to facilitate disarmament and deportation of the Japanese Forces in that area should be contingent upon projected United States policy. The disarming and repatriation of the Japanese in the area could have been accomplished in an orderly manner if the Chinese Communists, with their apparent outside aid, had not injected themselves into the situation. In this connection, the Chinese Central Government Forces that were moved to the north with United States assistance, in conjunction with the Marine Corps now present, would comprise adequate and sufficient forces to handle the Japanese effectively. In fact approximately 30% of the Japanese in the area have been disarmed and their deportation to the Japanese homeland would have been limited only by the availability of shipping. As the situation

<sup>60</sup> Telegram CFBX 15120, November 20, p. 650.<sup>61</sup> General of the Army Marshall had been succeeded as Chief of Staff by General of the Army Dwight D. Eisenhower.



has now developed however the continued and effective disarming of Japanese by Chinese Central Government Forces is impossible for three reasons:

*a.* Chinese Central Government Forces are being diverted to the task of opposing Chinese Communist Forces.

*b.* Japanese Armed Forces are being employed by the Chinese Central Government to protect lines of communications and installations against depredation and attack by Chinese Communists.

*c.* If the Japanese are disarmed in certain areas where Chinese Communist Forces exist in strength, the latter will move in and take over not only the areas vacated by the Japanese but also the arms and equipment of such Japanese thus increasing their relative combat strength as opposed to the Central Government.

Assuming that the Marines and Chinese Central Government Forces in North China could proceed without restriction or interference and that the shipping required for the implementation of an orderly deportation plan could be made available, it would require 6 to 8 months to complete the repatriation of the approximately 500,000 Japanese in North China. Obviously, with the restrictions now imposed by Chinese Communists' action, the repatriation of the Japanese may extend over a period of several years.

The implications of leaving the Marines or any other American Forces in the North China area under the present conditions of political strife, approaching civil war, are obvious. It will be absolutely impossible to avoid involvement in fratricidal warfare and to avoid direct support of National Government Forces against the Communists because the latter are determined apparently to accomplish the following:

*a.* Obtain Japanese arms and equipment.

*b.* Create incidents involving Americans and thus strengthen the demand of certain elements in the United States to withdraw our forces.

*c.* Secure control of food-producing and industrial areas, as well as ports and lines of communications.

I wish to comment on the State Department premise that "it is recognized that U. S. activities designed to assure the removal of Japanese from North China will result in some collateral aid or prestige in favor of the National Government vis-à-vis the Communists".

*Comment:* Manifestly United States assistance the past few years has given collateral aid or prestige in favor of the Chinese Central Government vis-à-vis the Communists. Under existing circumstances United States assistance will do much more than that. It is my considered opinion that continued assistance to the Central Government in North China and the retention of the Marines in that area will result in definite participation in fratricidal warfare. We can not expect our forces to remain in an area or to be employed in operations that

daily endanger American lives and property without resorting to appropriate retaliatory military measures. Such measures will undoubtedly result in armed conflicts between Americans and Chinese and may expand in extent and severity as the Chinese Communists press to accomplish their aims as outlined above.

Comments on State Department's premise "in meantime, it is (Changed—is it) not desirable that Marines or other forces be maintained in port areas to assure availability of these areas for the movement". *Comment*: I deem the retention of Chinwangtao-Taku-Tientsin-Tsingtao with interlocking land LOC vital for the supply and evacuation of the Marine Forces. I did not visualize holding other ports and have expected the Chinese Central Government Forces to secure and maintain additional ports required for repatriation of Japanese.

The Generalissimo has asked the United States to move five more armies to North China. I feel that this would not give him sufficient strength to cope with the Communists and concurrently undertake the program of disarming the Japanese in the area. Further I question the ability of the Chinese Central Government to support logistically an additional five armies in that area. I am constantly being asked for assistance to support the five Central Government Armies presently in the area.

Following comments are submitted concerning the State Department premise "conversely withdrawal now may mean substantial frustration of a policy we have long supported which contemplated unifying China and Manchuria under Chinese National Forces". *Comment*: This is correct but incomplete. I should like to add the following:

a. It has been 3 months since Japanese capitulation. Continued postponement may render the disarming of the Japanese in the area very difficult, for the Japanese may take advantage of such opportunity to turn over or sell their arms to Chinese Communists. They may become an arrogant, independent armed force no longer amenable to Allied plans for their complete demilitarization. There is also the possibility, if U. S. Marines are withdrawn, that they will assume control in the area for they would hold the "balance of power" between the Chinese Central Government vis-à-vis the Chinese Communists.

b. The Communists will interpret our withdrawal as complete victory for their invidious propaganda program and acts of intimidation, thus lowering our prestige not only with the Central Government but with the Chinese and Soviet Communists.

c. The presence of the Marine Force has a strong stabilizing influence in that a modicum of protection to other nationals in North China is provided and ports and vital lines of communications are protected. Some observers report that the removal of the Marines would result in civil war, while others state that even if retained a widespread revolution in the area is inevitable.

Comments follow on the State Department statement "as to the matter of more Chinese armies for Manchuria, the United States will not transport any more troops to that area". *Comment:* An attempt was made to debark two Chinese armies at Manchurian ports but was frustrated by the Chinese Communists' action with apparent Soviet Communists' connivance. American personnel were accompanying these two armies to facilitate only in their debarkation. American personnel has not been permitted to enter Manchuria and my explicit instructions to that effect remain in force. Interpreting my directives I have felt that the arrangements for the recovery of Manchuria and for the repatriation of Japanese in that area were matters subject to negotiations and agreements reached between the Chinese Central Government and the Soviet Government and therefore have permitted no American participation. As the Generalissimo's Chief of Staff I have assisted in planning for the reoccupation of Manchuria.

My general comment on State Department proposed public stand follows: No mention is made of involvement in fratricidal warfare. By implication the American Commander is admonished that the United States will not support the National Government vis-à-vis the Communists, except insofar as necessary to get the Japanese disarmed and out of China. As pointed out above, such United States support to the National Government will definitely involve American Forces in fratricidal warfare. There can be no mistake about this. Frankly the State Department must in my opinion assume full responsibility for the acts of armed forces faithfully employed in the implementation of United States policies. I accept responsibility for the conduct and employment of the forces under my command when such employment is clearly supported by the policies of my Government. If the unification of China and Manchuria under Chinese National Forces is to be a United States policy, involvement in fratricidal warfare and possibly in war with the Soviet Union must be accepted and would definitely require additional United States Forces far beyond those presently available in the Theater to implement the policy. (Obviously this would require a change in my existing directives.) General Rockey, Commanding Third Phib Corps of Marines, has read this message and heartily concurs.

Replies to the specific questions of the State Department appearing in War 84094<sup>62</sup> will be forwarded promptly in another message.<sup>63</sup>

<sup>62</sup> Telegram of November 19 from the Chief of Staff to the Commanding General, U. S. Forces, China Theater, p. 644.

<sup>63</sup> Telegram CFB 15639 of November 25 from the Commanding General, U. S. Forces, China Theater, to the Chief of Staff, p. 669.

761.93/11-2445

*Memorandum of Conversation, by the Secretary of State*

[WASHINGTON,] November 24, 1945.

The Chinese Ambassador called at three o'clock, at his request, to see the Secretary.

The Ambassador handed to the Secretary a copy of a message from the President of China to President Truman<sup>64</sup> and stated he would like to obtain the Secretary's advice about the matter. He said he had requested an appointment to see the President, but as yet had not been advised that a time had been set.

The Secretary read the message and then asked if there was any possible chance of immediate compromise between the Nationalist Government and the Communists.

The Ambassador said that before the London Conference the chances of compromise were much better, but since the Conference there has been a stalemate and the Russian attitude seems to have so much effect on the attitude of the Communists. He reiterated the statement he made several days ago when he called on the Secretary that the Soviets had promised they would not allow the Communists troops to come into Manchuria.

The Secretary inquired whether the Chinese have this promise in writing.

The Ambassador stated there was no written agreement, but that General Malinovski, Soviet Commander in Manchuria, has repeatedly made this promise. He emphasized that it is important to do something at once since the withdrawal of Soviet troops from Manchuria will be completed by December 3. He would like to have the Soviets tell the Communists to leave Manchuria and accept a compromise settlement with the Nationalist Government and hopes the United States will be able to make representations to the Soviet Government. He referred also to agreements in the Sino-Russian treaties [which?] have not been observed, particularly regarding use of the Port of Dairen.

The Secretary stated that he wished the Chinese had in writing the Soviet promise, to which the Ambassador said he thought the message he delivered on the 20th from the Chinese Foreign Minister<sup>65</sup> could be used as a basis for a protest to the Soviets. The Secretary said he would have a look at this note, keeping the Ambassador's thought in mind.

Regarding the message to the President, the Secretary told the Ambassador he would send the copy handed him to the President and would discuss it with the President. The Ambassador asked that the

<sup>64</sup> See telegram No. 2022, November 23, 8 a. m., from the Chargé in China, p. 660.

<sup>65</sup> See memorandum of conversation of November 20 and footnote 86, p. 1043.

Secretary urge the President to receive him so that he could present the original message to him, as he was instructed to do.

Ambassador Wei brought up the subject of General Wedemeyer's plan for a group of advisers to be sent to China in connection with military training, stating that it would be helpful, in view of the situation, to have this plan put into effect.

The Secretary informed Ambassador Wei that in view of the size of the group—about 3,000 men—the matter would have to be considered very carefully and certain members of Congress would have to be consulted to determine whether the plan would be approved there.

893.85/11-2445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 24, 1945—9 a. m.

[Received November 25—7:10 a.m.]

2027. Head [of] China Supply Commission, Washington, Mr. S. C. Wang, is authorized by Chinese Government (ReDeptel 1864, November 19, 4 p. m., paragraph 3) to discuss, negotiate and conclude the charter or purchase of ships. Situation serious, immediate action required.

ROBERTSON

893.00/11-2445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 24, 1945—2 p. m.

[Received November 24—1:15 p. m.]

2029. In telegram dated November 20 Secretary Stevens<sup>66</sup> at Peiping reports in substance as follows:

Military information covering last 3 weeks reflects progressive deterioration of Central Government's military position vis-à-vis Chinese Communists in North China. Communists are concentrated along the eastern part of Great Wall, especially at passes, resulting in serious disorders in Chahar and Suiyuan, and along Peiping-Liaoning and Peiping-Suiyuan railways. Communists have repeatedly destroyed sections of Peiping-Liaoning Railway between Chinwangtao and Kailan coal fields. Coal trains guarded by U. S. Marines and Marine plane[s?] have been fired on in this region. Communists' siege of Kueisui intensified during first 2 weeks of November and Communist advance on Paotou under way. Communist activity is also reported on

<sup>66</sup> Harry S. Stevens, Second Secretary of Embassy in China, on detail at Peiping.

Honan-Hopeh border. The Peiping area is calm, with Communists controlling hills believed to be only Communist militia. Commodity prices continue to advance.

ROBERTSON

893.00/11-2445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 24, 1945—5 p. m.

[Received November 24—1:21 p. m.]

2033. On November 23 Admiral Barbey<sup>67</sup> called at Embassy to discuss report he proposed sending Secretary of Navy on military situation in China between Yellow River and Great Wall. According to Barbey, there are still approximately 300,000 armed Japanese in this area. He summarized possible courses of action open to American authorities as follows:

1. To transport sufficient National Govt troops into area to disarm Japanese. In Admiral Barbey's opinion, 500,000 Chinese Govt troops would be required for this purpose, necessitating large-scale operation on part of American military. Such action would, of course, greatly increase present American criticism that United States is participating in China's civil war on side of National Govt.

2. To immediately evacuate Marines. In Barbey's opinion, Japanese troops are superior in arms and equipment to Communist troops. Such being the case, the Japanese would continue to dominate large cities and communications in area as before V-J Day, giving them political and economic control over area.

3. To refuse further assistance in the transportation of National Govt troops, [to?] disarm Japanese, and evacuate Communists [them?]. Communists would then move in and occupy territory over which they have hitherto exercised control, completely separating China from Manchuria. Such action he saw [said?] would be tantamount to participating in China's civil war on side of Communists. Both (2) and (3) would cause bitter criticism on part of National Govt.

Admiral Barbey tentatively recommends:

*a.* The exertion of every pressure possible upon Central Govt and Communists to reach an agreement, even if such an agreement involves giving Mao Tse-tung the complete political and military control he demands of Communist-dominated provinces. Even though only a loose federation might result, a breathing spell would be provided in which to attempt to work out solution with Russia.

*b.* The repatriation of all Japanese in China including Manchuria (estimated at 4 million) in American ships operated with Japanese crews.

<sup>67</sup> Adm. Daniel E. Barbey, Commander of the Seventh Amphibious Force.

With regard to Barbey's recommendation (a), Embassy is of the opinion, and so informed Barbey, that Chiang Kai-shek is not likely to concede armed control of Communist provinces to Mao Tse-tung and further that Mao, with apparent Russian underground collaboration and support and time running in his favor, may not be interested in reaching an agreement.

ROBERTSON

393.00/11-2545 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, November 25, 1945—3 p. m.

[Received November 26—noon.]

51. Reference Tientsin telegram No. 36, November 12, concerning repatriation Jap troops and conditions North China. During call yesterday on General Rockey,<sup>68</sup> he mentioned that Chinese military desire continue use most of remaining Jap troops in North China to guard railways and that if repatriation these troops is not completed before withdrawal of American Marines a situation replete with danger may result. Although Jap troops were stunned by Japan's [surrender,] this effect is not likely to continue and therefore these troops, if permitted to return [*remain?*] are liable to influence situation North China to their own advantage if not that of Japan.

I fully concur his views.

General conditions this area unchanged. Rept to Embassy by officer courier.

MYERS

Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Eisenhower)*

[CHUNGKING,] 25 November 1945.

[CFB 15639] References are War 84094,<sup>69</sup> 84149, 84663, 85012<sup>70</sup> and related servicing msgs [*messages*]. Understand here now that the sentence incorrectly received initially, does not express a State Department view but asks a question. Herewith comments based upon the change—(it is—is it)—It is definitely desirable that the

<sup>68</sup> Maj. Gen. Keller E. Rockey, Commander of U. S. Marines in North China.

<sup>69</sup> Telegram of November 19 from the Chief of Staff, U. S. Army, to the Commanding General, U.S. Forces, China Theater, p. 644.

<sup>70</sup> None found in Department files.

Marines hold Chinwangtao, Taku, Tientsin, Tsingtao for their own purposes and also to effect repatriation of Japanese. Further it would be desirable and may become necessary that other ports along the China Coast be held by U. S. Forces to make possible Japanese repatriation and to preclude interference by Chinese Communists or dissident elements. It should be pointed out that holding ports by Marines or other U. S. Forces is only a partial solution to repatriation of enemy forces. The latter must be disarmed, concentrated and moved to these ports. At present the Chinese Central Government Forces are unable to do this and concurrently cope with situation created by Chinese Communists.

NOTE: The Marines are holding Peking because appropriate air-drome facilities are not available elsewhere in the area they now occupy.

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761.93/11-2645

*Memorandum by the Secretaries of War (Patterson) and Navy (Forrestal) to the Secretary of State*

WASHINGTON, 26 Nov 1945.

In accordance with the understanding reached at the meeting of the Committee of Three on 20 November 1945, this memorandum contains the views of the War and Navy Departments on the situation in China and, specifically, views on problems of evacuating the Japanese from China, particularly North China.

General Wedemeyer has stated that he has completed his mission under his present directive. In accordance with that directive, he has assisted in the rapid transport by the National Government of its forces to key areas in China. His directive, dated 10 August 1945,<sup>70a</sup> also includes a statement that he will continue "military assistance for the present for the purpose of supporting Chinese military operations essential to the re-occupation by National Government forces of all areas in the China Theater now held by the Japanese, and the placing of Chinese occupation forces in Japan proper, Formosa, and Korea." This portion of the directive logically continues until changed or until the China Theater, which includes Manchuria within its boundaries, is terminated. National Government forces have been placed in substantially all key areas on the Mainland, exclusive of Manchuria. They have been placed in Formosa. As to Korea and Japan, any action must await determinations of the State Department.

The forces already transported General Wedemeyer considers sufficient under normal circumstances to secure these key areas. The

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<sup>70a</sup> Telegram Warx 47513 from the Joint Chiefs of Staff to the Commanding General, United States Forces, China Theater (Wedemeyer), p. 527.



War and Navy Departments agree that General Wedemeyer's view is substantially correct as to North China and that, but for internecine strife, the measures which General Wedemeyer has taken should be approximately adequate to carry out his basic directive. In all probability, even under optimum conditions, some United States assistance, particularly in the ports, would be required to assure repatriation of the Japanese by the Chinese.

Part One of General Wedemeyer's estimate <sup>70b</sup> passed to the State Department, creates the impression that the achievement by the Chinese Government now recognized by the United States, of control of North China and Manchuria is remote. The War and Navy Departments consider that this should not be accepted as a basis for United States action without the most serious consideration and further exploration to determine whether further steps are practicable. The stated objectives of the United States, which have also been expressed at times by the other great powers during this war, have included a unified China and particularly the return of Japanese-held areas including Manchuria, to the Chinese. It appears undesirable, now that the war has been won at considerable cost, to retreat from any of the stated objectives without the most careful examination. This approach to the problem is believed to be particularly pertinent since General Wedemeyer's estimate may have been made in the light of his present directive as well as the present situation in China. With more definitive United States policy guidance and some clarification of the international aspects, such as the U. S. S. R. element, his estimate may change in some particulars to indicate more probability of the achievement of expressed United States aims in China, including Manchuria, throughout this war.

As to Manchuria, General Wedemeyer has interpreted the wording of his directive to mean that "China" does not include "Manchuria" and, hence, that his mission is accomplished without providing aid and assistance to the Chinese National Government with reference to Manchuria. The State-War-Navy Coordinating Committee has been asked for their views on General Wedemeyer's interpretation of his directive, this being a political matter at this time although at the time of issuance, the War and Navy Departments considered Manchuria an integral part of China. No action has been taken to date on this request of General Wedemeyer's for verification of his interpretation.

The War and Navy Departments consider that continued aid and support for the National Government amounts to at least indirect support of Chiang Kai-shek's activities against the dissident forces

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<sup>70b</sup> See General Wedemeyer's telegram CFBX 15120, November 20, to the Chief of Staff, United States Army (Eisenhower), p. 650.

in China. This situation, however, is in no way any change from that existent during the past few years. If this aid is to be continued through the medium of the military, by such means as repatriation of Japanese from North China, the directives to commanders concerned must be changed to make them realistic.

The War and Navy Departments consider that the National Government will be able to stabilize the situation in South China but that the situation in North China may remain unstable for at least several months and, perhaps, for a much longer time. Only the National Government appears to have a chance of unifying China, including Manchuria, in the near future. The delivery of Manchuria to Chinese control, as well as the unification of China, appears to be primarily dependent on political, rather than military factors. Soviet policy, as far as known, does not appear to oppose at this time this unification.

From the short-range military standpoint, U. S. objectives have been practically accomplished in China. Japan has surrendered. The Japanese are no longer in control of any important areas in China. A considerable proportion of them have been disarmed and for the time being the entire force has been amenable to Allied plans for demilitarization, but this attitude may change due to ineffective action in repatriation. The military necessity, from the U. S. standpoint, of repatriating these Japanese forces is dependent on the likely solution of the larger problem of achieving order in North China and the unification of China. A reasonable chance of achieving these two latter objectives seems to be dependent primarily on U. S. political and economic policy, the implementation of which, it is true, will need to include military aid of the sort contemplated under the programs for military assistance and a Military Advisory Group, already forwarded to the State Department by the JCS. If positive and definitive steps are to be taken by the U. S. to aid in Chinese unification, then, from the military standpoint, the clearing of Japanese from China is one of the essentials. If, on the other hand, the U. S. is not going to take definitive action in support of the National Government, then there is only slight possibility that China will emerge from chaos, and there is a question as to whether the cost to the U. S. of repatriating the Japanese would be justified, since their presence in China would at the worst merely accentuate an already chaotic situation.

From the long-range military standpoint, the War and Navy Departments consider that the most important military element in the Far East favorable to the U. S. is a unified China, including Manchuria, friendly to the U. S. This is the best assurance against turmoil and outbreak of war in the Far East. In this connection, the War and Navy Departments consider that the long-range analysis

contained in Part Two of General Wedemeyer's message is a balanced evaluation of the problem of Russia and China in the Far East. As to the long-range course of action to be adopted, this is a matter for political decision, taking into account, if it is decided to continue assistance to the National Government, the material cost of that assistance which may include extension of the stay overseas of U. S. manpower, the difficulties which may arise from Chinese internecine strife, public criticism in the United States of seeming United States military involvement in the internal affairs of a friendly power, and possible difficulties with Russia. On the other hand, if it is decided to change the long-term United States policy which is the support of the National Government with a view to unification of China, the United States must consider the adverse factors indicated by General Wedemeyer in Part Two of his message, the impact on United States and world opinion of what will appear to be desertion of an Ally, the probable loss of the support of one of the so-called great Powers in international affairs, the dwindling stature of China as a great power, the possible development of several sovereign states in what is now called China, the continued existence of an area of armed conflict with the resultant threat to world peace, and other adverse factors.

As to the military strength of the Communists vis-à-vis the National Government, the reliable information available indicates that the strength and activity of Communist forces are considerably exaggerated in newspaper accounts and Chinese Communist releases. The only incident where an accurate check has been possible on newspaper and Communist reports as compared to the actual incident on the ground, is the so-called Battle of Shan-kai-kuan, which was advertised as a great battle and which, in reality, was the passage of the Great Wall by a National Government Army without any Communist resistance worthy of the name.

The problem of control of North China by the National Government appears to be primarily dependent on the number of National Government forces available and capable of being moved into that area and supported there. In case more than sufficient are moved to control the important Tientsin-Peking Area, it would appear logical that National Government forces would be moved by the Generalissimo into Manchuria, extending his control into that area.

It is probable that delay in National Government assumption of control in North China and Manchuria will permit the Chinese Communists to strengthen materially their positions in these areas. Such delay will also influence Soviet reaction to the problem which will involve moral support for the Communists at all times and may involve material assistance. There is also the question as to how

long the Soviets will consider their present agreements with the Chinese binding if Manchuria with its railroads, important to the U. S. S. R., continues without a stabilized government.

The ready answer to the problem from the National Government's standpoint is more forces for North China and Manchuria. Providing these are available, United States assistance to an extent not yet estimated would be required to transport and perhaps to support these forces.

On the specific problem of repatriation of Japanese from China General Wedemeyer's directive authorized U. S. Commanders to accept temporarily, for the Generalissimo, the surrender of Japanese forces, but stated the principle that such Japanese forces would be turned over to the Chinese National Government. The Joint Chiefs of Staff and General Wedemeyer have been proceeding on the basis that repatriation of Japanese surrendered in China is the responsibility of the Chinese National Government, the details as to transportation and receipt in Japan being arranged directly between Chinese National Government and the Supreme Commander for the Allied powers. The policy that contemplates U. S. forces turning surrendered Japanese over to the Chinese is set forth in an approved State-War-Navy Coordinating Committee paper (SWNCC 58/9).<sup>71</sup>

It has been the understanding of the War and Navy Departments that transportation for the repatriation of the Japanese would be provided from Japanese shipping plus any excess Allied shipping which happened to be available.

Consistent with the understanding of the War and Navy Departments that each nation would be responsible for arranging with SCAP the repatriation of the Japanese surrendered to its commanders, the U. S. commanders concerned have been going forward with such repatriation. The latest report as of 18 November shows the status of repatriation of Japanese to be as follows:

	<i>Army</i>	<i>Navy</i>	<i>Civilian</i>	<i>Total</i>
South Korea	165243	10865	227056	403164
From Philippines	11267	1626	19944	32837
From Pacific Ocean Areas	18640	7421	1897	27958
From Ryukyus	5577	4727	888	11192
From islands adjacent to Japanese home islands	39412	1311	213	40936
From China	397	nil	6484	6881
From Hongkong	600	701	100	1401
Totals	241136	26651	256582	524369

Out of over a half million repatriated from all areas, it will be noted that only some 7,000 Japanese have been repatriated from China.

<sup>71</sup> Paper concerning disarmament, demobilization, and disposition of enemy arms, ammunition and implements of war (Japan), September 5; not printed.

The best information available to the War and Navy Departments indicates that there are some 6,000,000 (approximately half military and half civilian) Japanese at present outside Japan. Of these, the following are in the China Theater :

	<i>Military</i>	<i>Civilian</i>	<i>Total</i>
Manchuria-North Korea	680,000	1,450,000	2,130,000
North China	350,000	220,000	570,000
South and Central China and North Indo China	775,000	145,000	920,000
Formosa	254,000	90,000	344,000
Totals	2,059,000	1,905,000	3,964,000

If as indicated by the Secretary of State in his statement to the press, the United States is to assume responsibility for repatriation of Japanese in North China which the Chinese for various reasons are unable to undertake, this action may mean the collection and movement to Japan of about 570,000 Japanese soldiers and civilians in addition to those from U. S. occupied areas. If the assistance is to extend to all of China including Manchuria, the number of Japanese involved may be somewhere between approximately 2,000,000 and 3,500,000 dependent upon the disposition the Russians have already made of the Japanese in Manchuria. The foregoing task, even for North China, involves a very considerable commitment of shipping and of U. S. manpower, and special arrangements above and beyond those contemplated to date would need to be made in order to accomplish it.

General Wedemeyer estimates that China is incapable of repatriating the millions of enemy troops and civilians within her borders and also solving her political and economic problems. It therefore appears that if the Japanese are to be repatriated, part or all of the task will have to be accomplished by the U. S. with such aid from other nations as can be arranged. The magnitude of the task is dependent upon the extent of stability achieved in China during the next year, which factor is partially dependent on U. S. political, economic and military support. In carrying out this task, which involves extricating the Japanese from both the ports and the hinterland of China, it must be recognized that the U. S. might be associated with and might at times become involved in internal Chinese strife.

A factor for consideration which has not yet been evaluated is the impact on the Japanese people and U. S. military requirements in Japan to implement the surrender in case the published promise to repatriate Japanese from North China is not carried out. The Japanese will logically extend this commitment to all areas and consideration must be given to this factor. There is a serious question that the U. S. should allow any impression to be established that the United States

and SCAP are alone responsible for this enormous task of repatriation. It would be most desirable to have it understood as a quadripartite commitment.

In the light of the foregoing and after considering General Wedemeyer's estimate, the War and Navy Departments consider that:

*a.* The present situation in China including Manchuria is a problem which must be solved primarily on the political aspects of the matter rather than on the basis of immediate military necessity.

*b.* In view of the succession of events, the Marines should remain in North China for the present pending clarification of U. S. political policy.

*c.* In view of the specific statement made in the press, the U. S. should press repatriation of the approximately 570,000 Japanese in North China, making every effort to obtain maximum National Government assistance in this project and every effort to place complete responsibility on the National Government for this task at the earliest practicable date, thus permitting withdrawal of U. S. Forces from the area.

*d.* U. S. policy on responsibility for repatriation of Japanese in those areas not occupied by the U. S., particularly China, should be clarified in detail at once by the State Department.

*e.* The Joint Chiefs of Staff should amend General Wedemeyer's directive to provide for continuation of U. S. forces in North China for the present, assistance to Chinese in repatriation of Japanese in North China, and the fact that such action will probably involve at least incidental aid to the National Government in the controversy with the Communists. Political guidance should be provided by the Secretary of State.

*f.* The State Department should enunciate at once its policy on the implementation of the Cairo Declaration<sup>72</sup> and other statements with reference to the return of Manchuria to China.

*g.* On the specific problem raised by General Wedemeyer concerning his position as Chief of Staff to the Generalissimo, the War and Navy Departments consider from the military standpoint, that the justification for this arrangement ceased to exist with the completion of movement of Chinese forces which assured that the Japanese would lose the control in all areas of China. Hence, from the military standpoint the arrangement should be terminated. The determination as to the desirability of continuing the arrangement from a political standpoint depends on the future U. S. political policy toward China and is for the Secretary of State and the President to decide. If the Secretary of State considers there is no political reason for continuing the arrangement, the Secretary of War will initiate the action which the President will need to take with the Generalissimo to relieve General Wedemeyer as the Generalissimo's Chief of Staff. Some substitute arrangements would need to be made in order to assure best use of U. S. resources turned over to the Chinese.

*h.* On the specific matter of the American Military Advisory Group to China concerning which General Wedemeyer has been told to

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<sup>72</sup> See White House press release of December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393, or Conferences at Cairo and Tehran, p. 448.

continue the China Theater until the Advisory Group's establishment, the Secretary of State should enunciate U. S. policy. If U. S. policy is to be one of "wait and see" or of withdrawal of support for China, then the establishment should be deferred. If, on the other hand, U. S. policy is to be continuance of the decision to leave the Marines in China for the time being and is to include active support of the National Government in attaining unity in China and in attaining control of Manchuria, then the State Department should proceed with negotiations necessary to the establishment of the Advisory Group without delay. In either case, General Wedemeyer should be informed at once.

*i.* The State Department should provide a definitive policy to cover the period of the next few years in China.

*j.* Since the other great powers particularly U. S. S. R. are essential participants in the final solution to be achieved in the Far East whatever that may be, the U. S. should give serious consideration to approaching, after preliminary consultations with China, the other great powers particularly the U. S. S. R. with a view to expediting the solution of specific problems such as control of Manchuria by political means rather than continuing to lean on unilateral U. S. action and on military necessity as a reason for U. S. actions.

In connection with the above estimate and the problems set forth in the conclusions, the Secretary of War and Secretary of Navy request State Department guidance in the near future in order that action may be initiated to implement U. S. policy. This action may include changes in instructions given to General Wedemeyer by the Joint Chiefs of Staff and material shifts in the employment of manpower and other resources in the Far East. A definitive reply is requested before the first of December in view of the fact that all arrangements have been proceeding on the basis that the Marines would be withdrawn from China at an early date, the China Theater inactivated, all personnel returned at an early date except those required for the Advisory Group, and that the U. S. will not assume responsibility for repatriation of Japanese from China.

Since preparing the above estimate, General Wedemeyer's CFB 15452<sup>73</sup> has been received and passed to the Secretary of State. The War and Navy Departments consider this message gives a further sound analysis of the problem. Particular attention is invited to General Wedemeyer's statement that leaving American forces in North China means that it will be absolutely impossible to avoid involvement in fratricidal warfare and to avoid direct support of National Government forces against the Communists. This message emphasizes the need for some international understanding as to the disposition of Manchuria and perhaps also North China. It appears that if Manchuria and perhaps North China are not to pass

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<sup>73</sup> Telegram of November 23, p. 662.

to Chinese control but rather pass to Soviet control or separate states under its domination by a progression of circumstances, then Russia will have achieved in the Far East approximately the objectives Japan initially set out to accomplish. The impact of such piecemeal action, uncoordinated internationally, on the U. S. and the world at large would, in the long run, probably be at least as grave militarily as any situation likely to arise due to continued U. S. support of the National Government, also uncoordinated internationally. Whatever U. S. action is determined upon, it appears serious consideration should be given to consultation with other powers concerned.

JAMES FORRESTAL

ROBERT P. PATTERSON

893.00/11-2645

*The Navy Department to the Department of State*<sup>74</sup>

WASHINGTON, 26 Nov. 1945.

The following dispatches, dated 21 and 22 November 1945, from the Commander, Seventh Fleet, are paraphrased for the information of the Department of State:

21 November 1945

"Due to track damage, it was necessary for one of two trains carrying coal to Tientsin to return to Tangshan. A repair train on a slightly damaged railroad bridge, south of Cha Tien was reported to have been fired upon. Further damage to the railroad north of Tsanpkou Airfield is reported. Conditions continue quiet Tsingtao-Tientsin. 1000 troops of the Northeast China Command are at Chinwangtao. More than 10,000 Japanese civilians are reported to have been placed in Peiping Concentration Camps and 15,000 are reported at Chiahsing. A Japanese Battalion at Liu Ting Airfield was attacked by Communists, who also destroyed a railroad bridge and sections of track south of Liu Ting."

22 November 1945

"General Tu Li Ming moved to Sui-Chung following its capture by Nationalist troops. Shanhaikwan and Chinwangtao Nationalist troops are being sent eight miles north of Shinen to clear out a pocket of 2000 Communist troops previously bypassed. There are an estimated 27,500 Communist troops in Jehol Province. After the Russians withdraw, the Chinese intend to transport 12,000 members of the 5th Division into Manchuria by air. It is reported that there are now in North China 326,375 troops of the Japanese 43rd Army. The majority of Japanese troops in North China areas under American Army

<sup>74</sup> Sent from the Office of the Chief of Naval Operations to the Division of Foreign Activity Correlation.



control have not yet been disarmed, it is claimed by the Communists. In Peiping are 88,300 Japanese civilians, according to report.”

JOHN L. MCCREA  
Rear Admiral, USN

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800.20293/11-2645 : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*<sup>75</sup>

WASHINGTON, November 26, 1945—8 p. m.

212. It is understood that FEA<sup>75a</sup> intelligence officer Bayne gave Shanghai copies of memoranda of conversations had in Oct with T. V. Soong regarding a proposed Sino-American intelligence organization to locate hidden strategic enemy assets and reveal continuing enemy economic penetration in China. Please send copies these memoranda Chungking if Embassy does not already have them.

Department is inclined to view American participation in such an organization unfavorably because of (1) possible embarrassment vis-à-vis our other Allies, (2) possibility that organization might use methods and engage in activities which we would not approve and (3) doubt that intelligence we obtained would be worth effort involved.

Department might however consider, if requested, loaning Chinese Government a technical expert with experience in Alien Property Custodian field to assist Chinese if they decide to go ahead with project.

Before taking any action Department desires comments of Embassy and Consulate General.

BYRNES

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Nanking Embassy Files, Lot F-73 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer), to the Chief of Staff, United States Army (Eisenhower)*

[CHUNGKING,] November 26, 1945.

[CFBX 15676.] Further comments to War 84094<sup>76</sup> follow. It is my considered opinion that the Chinese Central Government does not now have the capability to eliminate Japanese from North China and

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<sup>75</sup> Repeated as telegram No. 1899, November 26, 8 p. m., to the Chargé in China (Robertson).

<sup>75a</sup> Foreign Economic Administration.

<sup>76</sup> Telegram of November 19 from the Chief of Staff, U. S. Army, to the Commanding General, U.S. Forces, China Theater, p. 644.

Manchuria under existing conditions without further United States and/or Allied assistance and, in the case of Manchuria probably the wholehearted cooperation of the Soviet Russians. The Generalissimo has stated that he has decided to temporarily forego reoccupation of Manchuria. His current operations in Southern Manchuria he personally described as having the objective of seizing the line in Jehol Province including the railroad running from Chihhsien (121 degrees East 41 degrees North) to Ishsien-Chaoyang-Yei Pai Shan (119 degrees 30 minutes East 41 degrees 15 minutes North)-Chengte (118 degrees East 41 degrees North) to Peking. He wants to deny the port of Hulutao to the Chinese Communists and to contribute to the protection of the north flank in his operations in North China against forays or penetrations south into North China. Concurrently the Generalissimo said that he intends to cope with the Chinese Communists in the area south of the Great Wall and north of the Yangtze Valley with a view to eliminating all Japanese and establishing political and economic stability. This appears to be sound procedure but I doubt his ability to achieve satisfactory results in North China for several months, perhaps years. He simply does not have adequate or appropriate resources to protect the long lines of communications against depredations and interceptions by Chinese Communist guerrillas. He now has five armies in North China and desires urgently to move five more there. He can not support logistically the five armies presently in the area with his available sea and air transports even when his armies are operating close to seaports. As his forces advance inland and become more widely dispersed, logistical support will be confounded and probably rendered impossible by aforementioned Chinese Communist action.

With regard to repatriation plan in China Theater, it was visualized that all of the Japanese in the area north of the Yangtze Valley and south of the Great Wall would be evacuated in first priority for obvious reasons. A joint conference was held in Shanghai to formulate plans for repatriation of Japanese from China, including representatives of SCAP, China Theater, Chinese National Military Council, Chinese Supreme Field Commander, Chinese War Transport Board, United States Seventh Fleet, Seventh Amphibious Force and Third Amphibious Corps.

Responsibility for organizing concentration pools at ports of embarkation and for maintaining flow of Japanese to these pools was accepted by the Chinese.

Commencing 15 November [19]45, the Seventh Fleet agreed to employ 14 LST's in shuttle service between China and Japan. By 15 December [19]45 the number of LST's was to be increased to 107.

Initially Japanese were to be evacuated from Tangku, Tsingtao and Shanghai. After 1 January [19]46, when South China ports

would be cleared of mines and when it was estimated that available Japanese would have been evacuated through at least one of the northern ports, it was planned to initiate their evacuation from South China areas.

There are three limitations to evacuation of Japanese, exclusive of shipping, as follows:

*a.* By SCAP: Ports of Hakata, Kagoshima and Sasebo are prepared to receive a total of 8,000 repatriates a day from China.

*b.* By Chinese: The Chinese have agreed to maintain a flow of Japanese to the ports equal to the average daily evacuation rate of 3,000. However they have already indicated their inability to move the Japanese from the interior due to current disorders, involving intercepted lines of communications. Further, the Chinese Central Government considers essential retention of armed Japanese in the area to protect LOC<sup>77</sup> and certain key areas until the Central Government is in position to assume these responsibilities and also to prevent Chinese Communists from moving in and assuming control.

*c.* By CNO<sup>78</sup> and CinCPac:<sup>79</sup> CNO 181755Z dated 18 November [19]45<sup>80</sup> and based on CinCPac recommendations limited use of naval shipping to areas occupied by United States Forces, that is, to Tangku and Tsingtao. These two ports are limited to shipping a total of 90,000 a month. Subject radio further states that repatriation of Japanese in United States naval vessels will cease upon the inactivation of China Theater. If China Theater is inactivated on 31 December [19]45 as currently contemplated, United States naval vessels would be able to move approximately 130,000 repatriates from two North China ports mentioned above, assuming of course that Chinese continue flow to those ports. As of 30 November [19]45 it is estimated that only 35,000 Japanese will be repatriated through those two ports. According to information from U. S. sources in North China, the Japs will not be made available in adequate numbers.

There are approximately 723,000 Jap soldiers and 126,000 civilians in the area between the Yellow River and the Yangtze Valley inclusive. Practically all of these have been disarmed. If the Navy could remove the restriction on the use of Shanghai and could make shipping available, the bulk of these Japanese could be evacuated in about 7 months time, contingent of course upon the amount of shipping made available and the ability of the Chinese to insure a steady capacity flow. The port of Shanghai could handle about 4,000 a day. This evacuation of Japanese from the area between the Yellow River and the Yangtze Valley is deemed feasible and would contribute materially to the accomplishment of the over-all repatriation program.

If United States Forces are required to remain in China until repatriation of all Japanese is completed, it is readily apparent that

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<sup>77</sup> Line of communication.

<sup>78</sup> Chief of Naval Operations.

<sup>79</sup> Commander in Chief, U. S. Pacific Fleet.

<sup>80</sup> Not found in Department files.

the inactivation program will be postponed at least for 1 year, possibly longer. Examination of my last directive from the Joint Chiefs of Staff (Warx 77563<sup>81</sup> refers) in the light of repatriation, so far accomplished, and military developments transpiring since the date of issue 21 October [19]45 indicates following with reference to specific paragraphs in that directive:

Paragraph *a*—The evacuation or disposition of United States Army equipment and supplies is well in hand, in consonance with announced United States policies and regulations. This will not be accomplished until authorized representatives of FLC<sup>82</sup> under State Department dispose of surplus property for Army personnel will be required to protect property until property is disposed of.

Paragraph *b*—Practically completed, with only few isolated cases requiring attention. Should be consummated by December 15th.

Paragraph *c*—Plans and preparations for United States Military Advisory Group have advanced to stage where further progress can not be made until firm instructions are received from the War Department concerning final agreements reached by the United States and Chinese Governments. It is understood that negotiations continue and it is recognized that the over-all situation may strongly influence future action in this regard.

Paragraph *d*—By December 31st all United States Army installations, command, and activities of the China Theater will be closed out except in Chungking, Nanking and Shanghai areas. The closing of a few installations may be delayed by negotiations for surplus property disposal and by time involved in turning over weather stations to Chinese. When the Generalissimo and his Government move to Nanking, installations in Chungking area will be closed out promptly. A nucleus will be maintained in Nanking and by the first of the year United States personnel in the Shanghai area should total not more than 6,000, assuming of course that present inactivation plan can be carried out in view of limitations mentioned above. I should like to invite the attention of the War Department that all of my directives (Warx 51593,<sup>83</sup> supplemented by Warx 47513<sup>84</sup> and further supplemented by Warx 77563<sup>85</sup>) do not indicate that United States Forces, China Theater, have the mission of assisting the Chinese to disarm and/or to deport Japanese in the area, although certain War Department messages received in the Theater may be construed that we have responsibilities therewith. I have been admonished in Warx 47513 paragraph 5 that the Japanese will surrender to the Chinese Central Government and if circumstances require their surrender to U. S. Forces, they will be immediately turned over to the Chinese Central Government. In paragraph 6 of the same supple-

<sup>81</sup> Not found in Department files; for extract, see enclosure to memorandum of November 13 from the Acting Chairman of the State-War-Navy Coordinating Committee to the Secretary of State, p. 621.

<sup>82</sup> Foreign Liquidation Commission under Maj. Gen. Donald H. Connolly.

<sup>83</sup> Telegram of October 24, 1944, *Foreign Relations*, 1944, vol. vi, p. 178.

<sup>84</sup> Telegram of August 10 from the Joint Chiefs of Staff to the Commanding General, U.S. Forces, China Theater, p. 527.

<sup>85</sup> See footnote 81, above.

mentary directive I have been directed to assist the Chinese Government in the rapid transport of Chinese Central Government Forces to key areas in China. This I have done with U. S. planes and with U. S. shipping to an appropriate degree in order to facilitate reoccupation by Chinese Central Government Forces of key areas formerly held by the Japanese. If I were to assist the Central Government in transporting additional forces and supplies to such areas, it would be definitely to facilitate their operations against Chinese Communists which I have been directed repeatedly to avoid.

*General Comments:*

There are so many intangibles involved in the situation, it is difficult to provide the War Department with firm answers. Broadly viewed, developments in the Far East have created a situation, which subject the foreign policy of the United States to supreme test concerning realistic implementation. It must be recognized in the War Department, and I hope in the State Department, that our present situation is untenable principally because:

*a.* The Chinese Communists are doing utmost to intimidate and to involve United States Forces in military operations that definitely can be construed as offensive in nature. They hope thereby to influence public opinion in the States and abroad in their contention that the United States is interfering with the internal affairs of China and that our military forces should be removed summarily.

*b.* The Generalissimo and all Chinese Central Government officials are constantly pressing for increased United States aid and also are striving to create conditions that render our military assistance against the Chinese Communists, and possibly the Soviet Communists, mandatory or inevitable.

*c.* Enemy troops and civilians are not being repatriated. For the present the Chinese Central Government is circumventing repatriation plans because armed Japs are being used to protect LOC and key areas. The Chinese Communists want the Japs disarmed and removed because they are poised to seize their arms and equipment and also to occupy areas vacated by the Japs.

I would appreciate War Department support in presenting the above pertinent information and emphasizing the following basic premises to the President and to the State Department:

*a.* It is impossible to unify China and Manchuria with United States assistance without becoming involved in fratricidal warfare.

*b.* It is further impossible to assist the Chinese Central Government in the repatriation of the Japanese in the area without U. S. Forces becoming involved in fratricidal warfare.

*c.* It is impossible to accomplish the unification of China and Manchuria and the repatriation of the Japanese in the area without additional U. S. or Allied Nations Military Forces and shipping resources far beyond those now available or contemplated in the Theater.

*Recommendations:*

It appears that the United States Government must decide upon one of the following courses of action:

*a.* Evacuate all U.S. Forces from China as soon as practicable and accept resulting consequences. I consider it impossible to carry out the following conflicting orders now contained in the present apparent U. S. policy:

(1) Assist in the rapid deployment of Chinese Central Government Forces to key areas in China.

(2) Assist in disarming the Japanese and their deportation to Japan.

(3) Avoid participation in fratricidal warfare.

*b.* Approach the solution to the problem presented in the Far East unilaterally, change existing Theater directive and make available to me sufficient United States Forces, including air, ground and sea as well as shipping, to carry out the unification of China and Manchuria under the Central Government including the orderly and prompt repatriation of all Japanese in the China Theater. This abrogates recently enunciated United States foreign policy of self-determination. It would undoubtedly be contrary to United States public opinion.

*c.* Invoke the machinery visualized in United Nations Charter, establish immediately a trusteeship for Manchuria and Korea and pool the military resources of the United Nations for temporary employment in China proper to insure the expeditious repatriation of the Japanese. Thereafter withdraw all United Nations Forces and assistance from China and permit the Chinese to determine for themselves through processes of evolution or revolution, by whom and how they will be governed. Adoption of this course of action establishes precedent similarly in Java, Palestine, Iran, Indo-China and other potential explosive areas.

811.20/11-2745

*Minutes of Meeting of the Secretaries of State, War, and Navy*<sup>86</sup>

[Extracts]

[WASHINGTON,] November 27, 1945.

Present: The Secretary of State accompanied by the Under Secretary of State, Mr. Acheson

The Secretary of War accompanied by Assistant Secretary of War, Robert Lovett and Colonel Charles W. McCarthy

The Secretary of the Navy accompanied by Major Correa  
Mr. Hickerson

THE FAR EASTERN SITUATION

There was a long discussion of the situation in China. MR. BYRNES read aloud portions of the Joint War and Navy Department letter<sup>87</sup>

<sup>86</sup> Sections omitted concern subjects other than China.

<sup>87</sup> Memorandum of November 26, p. 670.

on the subject which was sent to him last night. MR. ACHESON said that he was interested in several questions which are not fully dealt with in the letter. First, he inquired, could more Chinese armies be supported logistically in North China if transportation could be found to get them there. Next, if the Japanese are moved out, will not the Communist forces move into the territory from which the Japs are evacuated and perhaps be able to get some of their arms; in the circumstances will not the Chinese National Government oppose the evacuation of the Japanese troops. Finally, he commented, if Japanese troops are moved out by rail to the ports and 3,000 per day can be transported by boat to Japan, this will mean that it would take more than 90 days to move out the Japanese troops with an additional 30 days to move Japanese civilians.

MR. FORRESTAL commented that he is convinced that we cannot "yank the Marines out of Northern China now", but, he said that he feels that the situation is not adequately understood by the public in this country. He inquired whether we could not talk the matter over realistically with the Russians and, if that is not practicable, whether it might not be a good idea to try to get the United Nations Organization into the picture. MR. BYRNES said that he was puzzled over what we should ask the Russians to do; that they are committed to move out by December 2 and the Chinese Ambassador tells him that the Chinese Government believes that the Russians will keep to the schedule in moving out their troops; should we ask the Russians to stay in Manchuria or just what should we ask them to do. MR. FORRESTAL said that we shouldn't ask them to stay in Manchuria but we might ask them to support the Chiang Government. MR. BYRNES referred to the commitments which the Soviet Government made in its recent treaty with the Chinese Government and the assurances which they have given the President and him that the Soviet Union will not support any faction in China other than the National Government. He went on to say that in the face of all of this it was difficult to know just how we should approach the Soviet Government on the subject. He said that one course would be to assume Soviet good faith in the whole matter, determine our policy, and tell the Soviet Government. Mr. Byrnes added that he doubted whether the United Nations Organization, which is not yet established as an organization, could make a contribution in time to help in the present difficulties. MR. PATTERSON said that it would help if the Soviet Union stated publicly what they had agreed to do in the treaty with China and what they have assured the President and Mr. Byrnes would be their attitude and policy in regard to China.

MR. BYRNES said the Chinese Ambassador had told him that the Russians have assured the Chinese Government that they would not permit armed Communists to enter Manchuria. MR. PATTERSON said

that he was troubled over General Wedemeyer's view that we cannot disarm and remove the Japanese from Northern China without becoming involved in the Chinese civil conflict.

MR. BYRNES said that taking everything into account perhaps the wise course would be to try to force the Chinese Government and the Chinese Communists to get together on a compromise basis, perhaps telling Generalissimo Chiang Kai-shek that we will stop the aid to his government unless he goes along with this. It might be well, he said, to tell Russia what we intend to do and to try to line them up with this policy. MR. PATTERSON stated that it is his opinion clearly in our interests to see China united under Generalissimo Chiang Kai-shek if that is possible.

MR. ACHESON said that the State Department is now at work on an approach to the problem under the following three points:

(1) Is it possible to bring more Chinese armies north by water and support them;

(2) A possible truce in the area evacuated when Japanese troops are moved out;

(3) A political settlement under Generalissimo Chiang with Communist participation, with pressure on Generalissimo Chiang to go along with this.

MR. BYRNES said that if it is possible to work out an approach along these lines Ambassador Hurley would carry this proposed program back to China with him for urgent presentation in China. MR. PATTERSON inquired whether it might not be desirable for Ambassador Hurley to go by way of Moscow and MR. BYRNES said he thought the urgent thing was to get him back to China with such a program if an agreement could be reached here.

893.00/11-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 28, 1945—1 p. m.

[Received 2: 54 p. m.]

2056. Below is given summary of Military Attaché's report for week ending November 24:

Perhaps darkest aspect of a gloomy week was failure of Political Consultative Council to meet November 20 and doubt expressed in some quarter whether it would be convened in near future. Chou En-lai is about to proceed to Yen-an after conversations lasting 2 months



with Central Government authorities; conversations largely futile, at least regarding urgent issues between Communists and Central Government. Immediate return of Chou to Chungking from Yenan seems problematical, in spite of Central Government press statements to contrary. It is implied that negotiations are still in progress, but only more sanguine elements have confidence in these negotiations.

On November 22 Chungking announced lifting of siege of Paotou, but there seems little doubt that Communist troops will vigorously continue attacks on both Paotou and Kweisui as well as other strategic place[s] along Peiping-Suiyuan Railway; a long struggle in this region is probable. Place[s likewise?] along 130-mile sector between Yunmeng, Hupeh Province, and Hsiping, Honan Province. The goal of these operations is control of southern portion of Pinghan railway. The Honan-Hupeh region and Suiyuan Province continue to be center of most intense military activities, but evidence increased during week that focus might be shifting to northeast. Communists have been ejected from Shanhaikuan by elements of Central Government 13th and 94th Armies who were reported moving north along Peiping-Mukden railway. Presence of U. S. troops in the region, together with fact that victorious Central Government Forces are American equipped, trained and transported, has caused a new wave of anti-American feeling among Communists. Loss of Shanhaikuan area and arrival of additional crack Central Government Forces in Hopei are additional threats to aspirations of Communists in northeastern provinces. Strict Russian adherence to their pledges of military withdrawal has frustrated effectively hope of Central Government to obtain speedily control of Manchuria. Communists have been moving into vacuum created by evacuation of Russian troops and seem to be well entrenched with estimated strength of 100,000 in many sections of Manchuria. Officials sent by Central Government to Manchuria to set up controls after Japanese surrender have been ordered back.

A number of high Chinese general officers are stated to have expressed opinion recently that no settlement between Central Government and Communists by negotiations can be hoped for and that a continuation of hostilities is inevitable. These officers ventured opinion that strategy of Communists is a piecemeal conquest of North China, with liquidation of Central Government Forces in Shansi and Suiyuan as first major objective and reduction of Tientsin-Peiping region as subsequent task. This view of situation seems to be corroborated by current trend.

ROBERTSON

893.00/11-2845 : Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

PARIS, November 28, 1945—7 p. m.

[Received November 29—1:20 a. m.]

6856. Chauvel<sup>88</sup> said that the Foreign Office has received a report from De Margerie, French representative in Peking, that if it were not for the presence of American troops the whole situation in Northern China would disintegrate and there would probably be civil war and disorder everywhere. (Sent Department as 6856; Chungking as 31.) De Margerie expressed the hope that U. S. troops would not be withdrawn at this time, which view Chauvel entirely shares.

CAFFERY

811.20/11-145

*Memorandum Prepared in the Offices of European and Far Eastern Affairs*<sup>89</sup>

[WASHINGTON, November 29, 1945.]

## ANSWERS TO QUESTIONS

[Here follow answers to the first question and part of the second.<sup>90</sup>]

b. (2) In the absence of any indication as to the character of "certain rights" which we might grant to our Allies in Japan, it is difficult to answer this question. If the reference is to stationing of military contingents by our Allies in Japan, we do not understand how such stationing of contingents would give rise to any corollary involvement by the United States in continental affairs in the Far East. As to your request for a statement of minimum interests from which the United States will not retreat in the event of a clash of interests in the Far East, the Department does not believe it possible to give any such statement which would be sufficiently reliable or certain as to furnish the basis on which the War Department might determine in advance the military steps to be taken against possible aggression in the Far East. It is believed that the problem posed by your question in regard to this Department's contribution of political guidance to the Armed Forces can best be met by consistent and close cooperation between the Departments concerned.

[Here follows answer to the third question.]

<sup>88</sup> Jean Chauvel, Ambassador and Secretary General of the French Ministry for Foreign Affairs.

<sup>89</sup> Transmitted to the Secretary of War by the Secretary of State in his memorandum of November 29, not printed.

<sup>90</sup> See memorandum prepared in the War Department on November 1, p. 600.

893.00/11-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 29, 1945—2 p. m.

[Received November 29—1:45 p. m.]

2063. By telegram dated November 28 Secretary Stevens at Peiping reports in substance as follows:

While continuing apparently undisturbed, political and military situation Peiping area considered by American military and civilian observers potentially unsafe. First official estimate area headquarters claims presence 4,000 Communist agents within city walls, mostly armed, who would act as Fifth Column supporting possible attack mounted from without. Communist underground increasingly active influencing local malcontents including Koreans, Japanese civilians. Average 100 Japanese soldiers daily reported deserting to 8th Route Army ranks since middle November. Growing Chinese discontent with Chungking also important factor favoring Communist position. This resentment based on widespread corruption Chungking military, civil officials running the supplies and also apparent disinclination to do anything to remedy economic chaos which superseded comparatively stable conditions under Japanese. In view of above conditions, I believe we should discourage return this area American women and children until situation improves. *End substance Stevens message.*

ROBERTSON

893.85/11-2445

*The Secretary of State to the Administrator of the War Shipping Administration (Land)*

WASHINGTON, November 30, 1945.

MY DEAR ADMIRAL LAND: As has been informally communicated to your Assistant, Mr. Huntington T. Morse, our Embassy at Chungking advises that Mr. S. C. Wang, head of the China Supply Commission, is authorized by the Chinese Government to discuss, negotiate and conclude the charter or purchase of ships.

The Embassy adds that immediate action is required, as the situation is serious. Its advices are in response to an inquiry included in the Department's reply to an earlier telegram of October 27,<sup>91</sup> recommending that action be taken to relieve the urgent need for vessels to meet a critical shortage of local water transport facilities in China. This telegram and the Department's reply<sup>92</sup> have been the subject of

<sup>91</sup> Telegram No. 1878, October 27, 1 p. m., p. 598.<sup>92</sup> Telegram No. 1864, November 19, 4 p. m., p. 643.

informal discussions between Mr. Morse and the Department's Shipping Division.

I wish to take this occasion to confirm to you that the Department supports the views of the Embassy in Chungking, to the effect that it is in this Government's interest to take any appropriate and authorized effort to aid in relieving the critical shortage of water transport facilities in China.

Sincerely yours,

JAMES F. BYRNES

800.20293/12-145 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 1, 1945—2 p. m.

[Received December 2—5: 19 p. m.]

303. Consulate General concurs in Department's views regarding inadvisability of participating in Sino-American organization proposed by Soong to Bayne. (Reference Department's 212, November 26, 8 p. m.) The memoranda of conversations which Bayne gave me have been forwarded to Embassy.

It would seem desirable, however, that the United States should be able to have precise and accurate knowledge regarding continued enemy economic penetration. Reference Chungking's secret despatch No. 828, October 30, also Chungking's despatch No. 801, October 17,<sup>93</sup> on United States Intelligence Service in China; also paragraph 3 Chungking's telegram 1812, October 17, and Shanghai's despatch No. 19, November 24,<sup>93</sup> regarding 50 versus 60 cycle in Chinese electrical power development. A more definite instance of German success at ingratiating and activities likely to influence Chinese by a manner inimical to American interests is a report now under investigation through American intelligence agencies that top local Germans in the DEFAG,<sup>94</sup> representing German Dye Trust, are to sit on a committee with Chinese officials to control the disposal by the Chinese Govt of that portion of local German Dye and chemical stocks not already hidden in hands of Chinese and possibly Swiss. These stocks are estimated by Allied trade sufficient for the next 2 years estimated present consumptive capacity of China market. Local interested Americans, their Chinese distributors, also British and French dye interests believe it should be an Allied and Chinese business group, not German advisors, who should sit on this committee.

Some local Germans patently do not deserve punishment, but it seems clear that in general, even those interned are going to have very soft treatment from the Chinese authorities. Some 104 Nazi Party

<sup>93</sup> Neither printed.

<sup>94</sup> Deutsche Farben Handelsgesellschaft-Waibel & Co. Agents for China of the I. G. Farben Industrie A. G.

members and their families have been interned by the Chinese in Shanghai but the control is very loose. Many internees can freely leave camp on passes. Others have their secretaries or other employees visit them in camp bringing papers and documents and carrying out instructions given.

The above is indicative of the need for keeping ourselves fully informed of what the Germans and Japs may seek to do economically possibly with the connivance of certain Chinese business interests. A joint Sino-American economic intelligence organization might merely serve to "muddy the water," and prevent our knowing what is actually going on.

Sent to Department, repeated to Chungking.

JOSSELYN

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893.00/12-345 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 3, 1945—8 a. m.

[Received 12:35 p. m.]

2082. Given below is summary Military Attaché's report for week ending December 1st:

There were no indications outbreak unlimited civil war was likely to be avoided by political settlement at 11th hour. Political Consultative Council originally scheduled to meet November 20 and almost final hope for negotiated peace has passed into indeterminate state; lost prestige of Council has not been restored by half-hearted Central Govt announcements that it would be called to meet probably December 1st. Chou En-lai returned to Yenan. Wang Jo-fei, Communist representative remaining in Chungking, is said to be demanding impartial investigation of liberated areas before resumption of conversations. Growing negativism of Communists toward negotiations indicated by attacks on alleged Central Govt unilateral action in announcing that National Assembly would meet May 5 next. Yenan alleges that insincerity of Central Govt is thus demonstrated clearly. That Govt leaders have decided to plunge country into civil war.

Central Govt troop advance into northeast continued during week as elements of 52d and 13th Armies entered Chinchow on Peiping [-Mukden] railway and were reported advancing toward Mukden. Despite Chinchow's importance there was no evidence that 20,000 Communists there committed themselves to fight for city. This seems consistent with Communists' open intention to hold their attacks until opposing troops have extended deeper into Manchuria. It is expected that major battle may soon develop near Mukden. Port of Hulutao seems to have been occupied by Central Govt troops and here again

no evidence of a fight. If Communists have evacuated Hulutao, another entry point for Govt's reinforcements for Manchuria is available.

Attacks by Communists against lines of communications and centers in North and Central China have increased markedly but with few exceptions these seem to be chiefly auxiliary to main objective of consolidation in northeast and delaying arrival of Central Govt Forces. Observers report that Communist aim is autonomous state in Manchuria supported at least ideologically by sympathetic Govts to west and north. Considerable evidence exists that whole New Fourth Army (strength estimated at 280,000) is destined for redeployment in central and north Manchuria where Jap equipment will be made available to them. Communists have denied vigorously reports that Communist troops in Shantung are being transported by sea from Shantung north coast ports to Liaotung peninsula and are being concentrated near Dairen. Communists have also denied reports that Japanese in quantity are being recruited in northeast and that Communists have been receiving arms from Japanese or "other nationals". In view of persistence and cogency of evidence to contrary, Communist denials appear weak.

Arrival of Central Govt reinforcements seems to have stalemated battle for Pactou in Suiyuan but [headquarters?] of 12th War Zone reports that Communists are bringing fresh forces into region and mounting new offensive. Kueisui, east of Pactou, is firmly held and Communist hope of capturing these two places has appreciably decreased. According Central Govt reports, 100,000 Communists are massed in southern Shantung and moving against points on Tsinan-Tsingtao and Tsinpu railways. Another force of Communists is reported assembled for drive against Lunghai railway in east Honan and during week heavy destruction of communications as far south as Shanghai-Nanking area was revealed. Increased scope of Communist attacks indicates new urgency of Communist efforts to paralyze Central Govt troop movements.

SMYTH

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893.00/12-445 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 4, 1945—9 a. m.

[Received December 5—6 a. m.]

63. Situation this area not materially changed recent weeks. Brief review present conditions follows.

1. General breakdown transportation facilities North China and frequent interruptions railway traffic Tientsin-Chinwangtao have prevented movement adequate coal supplies this port where stocks low, and, according informed person, Central Govt Forces now available

inadequate prevent serious disruption traffic were such attempted by forces Communists could muster. Breakdown public utility services Tientsin and complete stoppage coal supplies household purposes now inadequate and high priced are possible contingencies.

2. Communist troops continuing move northward toward Manchuria, some within distance Tientsin, reportedly in Hopei obtaining Jap arms. Infiltration Communist plainclothes soldiers into Tientsin occurring and although no disturbances reported possibilities of situation obvious. Presence Tientsin-Korean independence army of 2,000 men, including Communist deserters and stooges, another potential menace, although this army recently disarmed by local police following murder head local Korean association which has provided funds army's support.

3. Presence here number unemployed industrial workers because closure former Japanese industries, many of which unlikely to be resuscitated near future, and ineptitude many local Central Government officials for duties with which now charged, are other factors complicating situation filled with uncertainties.

Unlikely serious disturbance occurring in Tientsin so long American Marines remain. But should Marines be withdrawn or should Communist forces make serious attempt cut off supplies this city, for which the [Communists?] have adequate forces, serious situation would arise. Communist attitude may be determined by number of factors, including negotiations between Yen-an and Chungking. Consequently until clarification occurs situation must be regarded as ominous.

This telegram to be read with telegram No. 64 same date.<sup>95</sup>

MYERS

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390.1115/12-445 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 4, 1945—10 a. m.

[Received December 5—6:34 a. m.]

64. In the light of disastrous situation it is the view of Third Amphibious Corps, recently expressed to me, that American women and children should not return to North China until the situation has clarified and has improved and that American women and children still here should be repatriated.

I concur in the view expressed above in so far as American families returning to North China are concerned and feel that American women and children now ready to leave this area should be repatriated as soon as possible. I propose to endorse applications for passage from American ex-internees including their alien dependents as being in the national interest, a recent requirement for passage on Army and

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<sup>95</sup> *Infra.*

Navy operated vessels according to Shanghai's telegram No. 31, December 1, to this office.

Urgently request Dept's views as well as reaffirmation of visa waiver for alien dependents.

Sent to the Dept; repeated to Chungking and Shanghai.

MYERS

893.00/12-445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

PEIPING, December 4, 1945—5 p. m.

[Received December 19—1: 43 p. m.]

23. While Peiping intramural situation remains outwardly calm, Chinese Intelligence observes unrest among 30,000 Koreans, majority whom threatened with concentration and eventual repatriation. Possibility Korean riots foreseen if internment measure remains severe. Military situation Peiping area unchanged: no fighting or attacks railways past week. General Hsiung Shih-hui, former Chief Military Mission, United States, has established advance headquarters Peiping preparatory eventual Nationalist occupation Manchuria. General Hsiung not yet arrived here.

Sent to Chungking: repeated to Department.

ROBERTSON

893.00/12-945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 9, 1945—2 p. m.

[Received December 10—3: 48 p. m.]

2128. Regular weekly report of Military Attaché dated December 8 summarized below:

Tentative hope that struggle for control in China might be stopped short of full scale civil war reappeared this week in spite of continuing hostilities and unrest. Political Consultative Council which had been practically given up last week by even most optimistic emerged again as political reality to be tested December 10. Central Government announcements state that plane will be despatched to bring Chou En-lai back from Yen-an and that other delegates have begun to gather in Chungking. Appearance of editorials from Communist sources on Council's objectives indicate more positive attitude toward discussion of compromise measures. Agreement by Soviets to defer retirement of their forces from Manchuria until presumably Central Government troops can take over has undeniably wakened Communist



opposition sufficiently to warrant serious consideration of any gains which might be salvaged through negotiation. That Communists have been depending heavily on Soviet support of their designs on Manchuria is hardly open to question, although nature and extent of Soviet aid to them has been obscured by succession of conflicting reports from observers in that area. It may be expected that, in proportion as Russia demonstrates willingness to cooperate with Central Government, Manchuria Communists will be forced to concessions and to general alteration of their long-range strategy in northeastern provinces. Despite fact they are well entrenched in large cities of Manchuria, it is unlikely that Chinese Communists can hold long against well equipped and trained Central Government Forces now being moved in.

Although military situation in North China changed little during week, there were signs of growing popular unrest especially in Peiping and Tientsin areas from which come reliable reports of long Communist underground activities. Factors contributing to unrest are Communist propaganda, administrative deterioration since Jap surrender, and failure of Central Government to institute sound program of reconstruction. Battles for Kueisui and Paotou continue with indications that number of troops involved on both sides is growing. Persistence of attacks on these cities is measure of Communist determination to control areas adjoining Outer Mongolia and to secure their left flank in North China. Operations by strong Communist forces directed against Tsinpu railroad in southern Shangtung continued this week and new attacks have been launched in Shihchiachuang area against Pinghan railway. Communists are reported to have surrounded Central Government troops in Shihchiachuang where latter are being supplied by air. Central Government Forces advancing into Manchuria appear to have slowed down somewhat and advance guard of 13th Army was last reported to have arrived at Sinmin some 30 miles from Mukden. Central Government occupation of towns along railway north from Shanhaikuan has not been contested but battle in Mukden area seems imminent unless Communists have decided to abandon cities and limit themselves to operations behind the lines. Current optimism with respect to renewal of discussions indicates that armed conflict may be avoided by both sides and military operations in northeast postponed in hope of political victories in Chungking.

According to Communist sources, Ho Ying-chin has ordered main body of seven Central Government Armies to launch three pronged offensive against Kalgan, Chengteh and Mukden. Left prong will move north on Peiping-Suiyuan railroad to capture Kalgan and mop up Chahar Province. Centre prong is to drive along Peiping-Kupehkwow railroad to capture strategic passes along Great Wall and

invade Jehol. (Communists state Central Government's 30th Army is taking part in this action—an astonishing discrepancy in view of previous reports that 30th Army has been defeated in northern Honan and that parts of it had gone over to Communists.) Right prong is now threatening Mukden and Communists admit that 16th Army in drive toward Kalgan has advanced to Nankou. Spearheading center prong elements of 13th and 92d Armies have arrived at Miyun on railroad to Chengteh in Jehol. Central Government troops taking part in these offensives are so-called *alpha* units, best organized, trained and equipped in Chinese Army and they are obviously aiming at splitting Communist troops in the north.

Chinese crisis in its broadest implications is complicated by presence in North China of undisarmed Jap troops. Central Government and Communists continue mutual accusations that in maneuvers for control of North China Japanese units are illogically and unscrupulously being used. Communists have repeatedly charged Central Government with rearming Jap soldiers and throwing them into war against "people's army". Central Government declares that Communists are propagandizing Japanese and recruiting them in large numbers and using them to operate Jap artillery in assaults on Paotou and Kueisui. Landslide of anti-American feeling has been created among Communists by U. S. commitments to help Central Govt disarm and repatriate Japanese. Although statistics are not complete and sometimes controversial, there are probably about 250,000 Japanese still armed in China. Importance of this problem which has recently brought into sharpest focus U. S. policy in China is difficult to ignore.

ROBERTSON

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893.00/12-1045 : Telegram

*The Consul at Peiping (Stevens) to the Secretary of State*

PEIPING, December 10, 1945—9 a. m.

[Received December 10—6 a. m.]

More than 200 former puppets arrested by [the National Government?] at Peiping 6th and 7th December and held for trial for treason collaboration. Another hundred seized Tientsin. Peiping arrests include members and former members North China Political Affairs Commission: Wang Keh-min, Wang I-tang, Wang Shih-ching, Wang Yin-tai [and] others. Also former Mayors Liu Yu-shu and Hsu Hsiu-chih. Tientsin arrests include Chi Hsieh-yuan, former public security chief, and Wen Shih-chen, puppet mayor. Foregoing officially confirmed by present deputy mayor, Peiping.

Sent to Chungking, repeated to Department.

[STEVENS]

893.00/12-1245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 12, 1945—8 a. m.

[Received 2:15 p. m.]

2146. My telegram December 8<sup>96</sup> delayed in servicing. Stevens at Peiping reported in substance as follows:

According to Japanese Liaison Office, Eighth and New Fourth Communist Armies recently active along northern section Tientsin-Pukow Railroad wrecking tracks and bridges, including bridges over small and grand canals. According same source, Communists along central section same railroad attacked Jap strong points; Communists at Tsaochwang disarmed Jap garrison and seized coal mines. According Peiping newspaper, Japanese civilian internees in Peiping "do not feel Japan has been defeated". Economic situation Peiping not improved. Prices of Mentoukou coal officially fixed few days ago but supply insufficient, resulting black market rate about three times higher. Serious problem in furnishing electric power for factories and utilities, Peiping merchants and public urged to curtail consumption. Bank [of] Communications and Bank [of] China reopened Peiping and Tientsin. Office of Supreme Court in Peiping established superseding puppet court.

ROBERTSON

893.00/11-2345

*The Acting Secretary of State to Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy*

WASHINGTON, December 12, 1945.

MY DEAR ADMIRAL LEAHY: I am sorry that I did not get a reply to you before your departure this afternoon, to your inquiry regarding a message from Generalissimo Chiang Kai-shek transmitted in Chungking's 2022 of November 23, 1945. I informed your aide that no reply has been made to this message through State Department facilities and we are not aware that any has been made through the White House.

In the light of the changed situation since the message was sent, and of General Marshall's impending departure, it would seem that a reply might appropriately state merely that General Marshall is expected to proceed to China in the very near future and that he has full authority to discuss the questions raised in the message.

Sincerely yours,

DEAN ACHESON

<sup>96</sup> Telegram No. 2128, December 9, 2 p. m., p. 694.

893.00/11-2345 : Telegram

*President Truman to President Chiang Kai-shek*

[WASHINGTON,] December 13, 1945.

[White House No. 382.] Referring to your message of November 23<sup>97</sup> in regard to your need for additional personnel shipping, the matter therein presented has been carefully studied by my staff.

General Marshall who will arrive in Chungking in about a week is fully informed on the subject.

HARRY S. TRUMAN

Marshall Mission Files, Lot 54-D270 : Telegram

*The Joint Chiefs of Staff to the Commanding General, United States Forces, China Theater (Wedemeyer)*

[WASHINGTON,] 14 December 1945.

Warx 88636. The following directive is based on the United States China policy approved by the President in December 1945.<sup>98</sup> It supersedes Warx 51593 of 24 October 1944,<sup>99</sup> Warx 47513 of 10th August 1945,<sup>1</sup> and such other directives as are in conflict herewith. It also constitutes a directive to CinCPac and CinCAFPac<sup>2</sup> concerning their responsibilities with reference to China Theater operations.

1. *Boundaries.*

China Theater comprises China proper including Manchuria, Formosa, Hainan Island, and any other areas such as North Indo-China for which Generalissimo Chiang Kai-shek has responsibility to the Allied Powers for the disarmament and the deportation of Japanese.

2. *Command.*

All U. S. Army Forces in the China Theater are under the command of ComGen China except certain units such as the Air Transport Command which operate in accordance with existing directives. Present arrangements with respect to command and control of Navy and Marine units operating within or adjacent to China Theater remain in effect.

3. *Mission.*

a. The mission of ComGen China is to advise and assist the Chinese National Government in the disarmament and deportation of Japanese from the China Theater and in the re-establishment of control over areas of China liberated from the Japanese, including Manchuria,

<sup>97</sup> See telegram No. 2022. November 23, 8 a. m., from the Chargé in China, p. 660.

<sup>98</sup> See statement of December 15, p. 770.

<sup>99</sup> *Foreign Relations*, 1944, vol. VI, p. 178.

<sup>1</sup> *Ante*, p. 527.

<sup>2</sup> Commander in Chief, U. S. Pacific Fleet, and Commander in Chief, U. S. Army Forces in the Pacific, respectively.

Formosa and Hainan Island. ComGen China is responsible for coordination with the National Government of the planning and execution of all U. S. operations in the China Theater.

b. U. S. assistance in the accomplishment of the foregoing may include the transport of Chinese National Government troops to Manchuria and may include logistical support thereof, providing Chinese resources have been used to the practicable maximum. Further U. S. transportation of Chinese troops to North China, other than for those en route to Manchuria, will not be undertaken except upon specific instructions from the Joint Chiefs of Staff. In carrying out movements, North China ports will not be used except as necessary for the movement of troops and supplies into Manchuria.

c. ComGen China will put into effect stepped-up arrangements for the deportation of Japanese from the China Theater.

d. Incidental effects of U. S. assistance upon any dissident Chinese elements will be avoided in so far as possible. Beyond these incidental effects U. S. support will not extend to U. S. military intervention to influence the course of any Chinese internal strife, except as necessary to protect U. S. lives and property.

#### 4. *Priorities.*

ComGen China will set the priorities for the allocation within the China Theater of resources made available for the accomplishment of his mission.

#### 5. *Relation between Theaters.*

a. *CinCAFPac.* SCAP is charged by the Allied Powers with effectuating the Japanese surrender. CinCAFPac, insofar as is compatible with the execution of his own mission, will assist ComGen China in carrying out the mission given in paragraph 3 above. Mutual liaison will be maintained between headquarters to insure maximum coordination.

b. *CinCPac.* CinCPac is responsible for Navy support to China Theater operations in accordance with instructions issued by the Joint Chiefs of Staff and the Navy Department. Mutual liaison will be maintained between the appropriate headquarters.

6. Dealings with Chinese Forces and Chinese agencies in the China Theater, other than those of the National Government, will be strictly limited to requirements of the military situation. Points in China liberated by U. S. Forces will be turned over only to agencies and forces accredited by the National Government of China.

7. In so far as permitted by military considerations, surrenders of Japanese Forces in China will be to the Generalissimo or his representatives. U. S. Commanders may, at the discretion of ComGen China and with the approval of the Generalissimo, accept temporarily for the Generalissimo local surrenders of Japanese Forces.

S93.00/12-1645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 16, 1945—3 p. m.

[Received December 16—9:06 a. m.]

2169. Weekly report of Military Attaché is summarized below :

Chou En-lai's failure to return to Chungking this week resulted in still another postponement in convening of Political Consultative Council. Central Government announces that Sino-Russian agreement has set stage for bloodless occupation of Manchuria, but field observers provide much evidence that Communists are determined to pursue their northeastern strategy to limit of their military effectiveness. Although official releases of both Communists and Central Government are cautiously optimistic regarding eventual political solution by both sides [they?] continue to operate with apparent cynical disregard of hope for unity through negotiation.

In Manchuria battle for Mukden appears doubtful. There are no indications that serious frontal resistance will be offered by relatively weak Communist forces in that area to Central Government column reported in vicinity of Mukden awaiting evacuation of both Communist and Soviet troops before taking over. General Tu Li-ming is said to be attempting to persuade former independent guerrilla fighters at present his principal opposition in this area, to abandon Communists in favor of Central Government. In spite of their Communist leanings, there is evidence that Communists in central Manchuria, largely provincial troops, are poorly organized and indoctrinated and that spirit of opportunism makes wholesale defection possible. Communists thus far have succeeded in organizing only minor part of Manchurian puppets, but any considerable delay in organizing them under Central Government might force large percentage into Communist ranks and augment more than 100,000 estimated to be mobilized in northeastern provinces against Central Government. Notwithstanding withdrawal of large measure of Soviet backing, Communists seem confident of holding their own, believing that Central Government will be handicapped by low morale of troops, unfamiliarity with country, severity of Manchurian climate, and vulnerability of extended communication lines to guerrilla action. General Tu has announced he will occupy Yingkou, now held by 20,000 Communist troops who are reported being reinforced by Eighth Route Army regulars from northern Shantung. Occupation of Yingkou by Central Government would probably give rise to further requests for use of U. S. vessels. A decision was made, it is reported, at a recent Communist Party conference to oppose any further landings in northeast by American ships of National troops.

In other parts of China there were no indications that Communists might be revising their plan because of strategic setbacks as has apparently happened in Manchuria. They continue to harass communication lines, especially in southern Shantung where they are grouping for new attack on Lincheng on Tsinpu railway. Control of the Peiping-Hankow railway also remains one of their most vigorously pursued objectives. In southern Shansi, Central Government reports Communists have massed sizable force to attack railroad between Wenhsi and Houma, south of Taiyuan on Tungpu line. This offensive implies new aspirations toward Taiyuan from south since drive from north has been halted by Fu Tso-yi's resistance at Kueisui and Paotou. Although Central Government has been silent this week regarding action in latter places, there is no reason to suppose tide has turned against 12th War Zone Forces.

Although Communist interference with lines of communication has impeded movement of Central Government Forces, Communists are gradually being faced with more serious threats to their domination as National Force builds up in north. In all, Government's 3d and 16th Armies menace Kalgan and 92d Army moving north from Peiping is reported engaging Communist defenders of gateways to Jehol and Chahar Provinces, along Great Wall. Eighth Army, landed at Tsing-tao last month is driving west toward Tsinan and north toward ports held by Communists on north coast of Shantung. Twelfth Army has been transferred from Kiangsu to oppose Communists in central Shantung. Throughout Shantung, Communists are putting up stiff resistance, particularly to Eighth Army.

Arrival of Central Government 54th Army is reported to have relieved tension in Canton, where possible Communist coup had been rumored. Fifty-fourth Army replaces crack New First Army which is understood to be destined for Manchuria via Hong Kong, movement which Communists have been seeking to obstruct. Middle Yangtze River area moved into prominence this week with reports of renewed attack against Hsiangyang in northern Hupei and Central Government accounts of major Communist offensive in region of Tuangpei River north of Hankow, into which area 7th Division of new Fourth Army has recently moved.

ROBERTSON

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800.20293/12-1945 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 19, 1945—noon.

2014. Dept is withholding action on proposed Sino-American intelligence organization pending receipt of Embassy's comments. (Deptel 1899, Nov. 26, 8 p. m.<sup>3</sup>) An early reply would be appreciated.

ACHESON

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<sup>3</sup> See footnote 75, p. 679.

893.85/12-1945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 19, 1945—2 p. m.  
[Received December 20—6 : 20 a. m.]

2182. Given below is substance of message sent by Naval Attaché December 15 to Commander, Seventh Fleet, at request Director [of] Military Affairs Dept, Chinese Govt, as from Generalissimo:

General Wedemeyer has informed me that American Govt intends to aid in building up Chinese Navy and that, in view of military objectives in Far East and considering China's financial ability, your Govt intends to turn over to China a small number of naval vessels. This good will is much appreciated. In addition to those naval vessels which have previously been requested (namely, 4 destroyers, 36 amphibious landing craft and ships, six 180-foot patrol craft, and twelve 1,000-2,000 ton war vessels), China needs also following: 12 coastal patrol boats, 6 light cruisers of about 6,000-7,000 tons each, 16 destroyers or destroyer escorts and 8 mine sweepers and supporting craft consisting of oil tankers, repair ships, transports and floating drydocks. Also, it would be appreciated if your country could aid in construction in China of naval bases and dockyards by transporting to China part of equipment available now in Japan proper in former naval bases. Gradual transfer of ships mentioned above over extended period of time would be satisfactory. It is asked that above be transmitted by you to Navy Dept for action to be taken.

ROBERTSON

711.93/12-2045 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, December 20, 1945.  
[Received December 21—1 : 04 p. m.]

4224. *Pravda* Dec. 19 carried special article by N. Sokolovski translated in full below:

Presence of powerful American Armed Forces on territory of China is one of those factors of present international position which arouses justified alarm of democratic public opinion not only of China and U. S. but of entire world. This alarm does not diminish under influence of such statements as numerous pronouncements of Hurley who recently resigned as U. S. Ambassador in China<sup>4</sup> and who has openly pushed imperialist program of American penetration in China

<sup>4</sup> For documentation on the resignation of Ambassador Hurley, see pp. 722 ff.



with purpose of counteracting "British imperialism" and "Soviet imperialism" invented by himself.

Why today, after more than 3 months have elapsed since conclusion of war in Far East and capitulation of Japan, are there numerous U. S. troops in China, including infantry, air forces, tanks and naval forces? Is presence of American troops in China compatible with respect for sovereignty of this power with principle of non-interference in internal affairs of foreign country which all members of UNO<sup>5</sup> pledged themselves to respect?

It is common knowledge that up to present time internal problems of China are distinguished by marked acuteness. National Govt of Chinese Republic which is recognized by and enjoys support from all United Nations faces tremendous tasks in democratization of country and consolidation on this foundation of all national creative forces. Effective performance of these tasks requires agreement with those democratic elements which played so large a role in anti-Japanese struggle and enjoy support of broad circles of population in vast regions of country. Does presence of American troops on Chinese territory contribute to positive solution of this problem on which above all depends future destiny of China as great power? Unfortunately facts speak to the contrary. Presence of American Armed Forces in China encourages most irreconcilable circles of Chinese reaction, gives them exaggerated conception of their real strength and impels them to a disregard of legitimate aspirations of democratic forces of Chinese people which is fraught with dangerous possibilities.

President of U. S., Truman, responding to apparently growing necessity of explaining fact of presence of American troops in China has made statement concerning American policy with regard to China.<sup>6</sup> In this statement presence of American Armed Forces in China is explained on one hand by fact that U. S. "aided and will continue to aid National Govt of Chinese Republic in effecting disarmament and evacuation of Japanese troops from liberated areas. American Marines are in North China precisely for this purpose." Here to be sure question remains open for what purpose there remain in China American troops of other branches: Air forces, tank units and warships.

On other hand statement declares:

"Maintenance of peace in Pacific area would be threatened or even undermined if Japanese influence were not entirely eliminated in China and if China were not to take her place as united, democratic, peaceful country. It is precisely for this purpose that American Naval Forces are temporarily in China."

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<sup>5</sup> United Nations Organization.

<sup>6</sup> December 15, p. 770.

It is not difficult to perceive that reference to necessity of disarming and evacuating Japanese troops cannot serve as sufficient basis for transferring of powerful American Armed Forces to North China with war already over. In actual fact, can it be supposed that armed forces of Chinese themselves, which were able to withstand pressure of Japanese troops during war, were incapable of coping with incomparably easier task of disarming and evacuating enemy troops after capitulation of Japan? On the other hand broader tasks set forth in second explanation cannot but give rise to perplexity. For this explanation speaks not only of complete elimination of Japanese influence in China but of achieving purpose of establishing united democratic peaceful China. But are tasks of this nature decided with aid of alien troops?

In any case one thing is clear. If one speaks about eradicating Japanese influence then it is impossible not to agree that this task is most important in Manchuria where Japanese troops were particularly numerous. As is well known already by autumn of 1931 Japanese troops had occupied Manchuria and thereafter, using it as base, began to prepare seizure of other territories of Chinese Republic. It was precisely Manchuria which Japs strove to convert into their colony and they established there their own puppet régime named Manchukuo. It must also be borne in mind that Manchuria has long border on Soviet Union while North China, as is well known, is located at fair distance from territory of U. S. Therefore, in any case, leaving of Soviet troops for this or that period in Manchuria would have much more basis than leaving any sort of foreign troops in North China.

Sent Dept; repeated Chungking 243, Shanghai and Tokyo.

[HARRIMAN]

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893.85/12-1945 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 22, 1945—noon.

2049. For General Marshall. Transfer to China of Naval vessels (ReEmbtel 2182, December 19). No action will be taken in Washington. According to War and Navy Departments, General Wedemeyer has no knowledge regarding this matter. War and Navy also have no information, and Navy has so informed Commander Seventh Fleet.

ACHESON

893.00/12-2345 : Telegram

*The Consul at Tsingtao (Meyer) to the Secretary of State*

TIENTSIN [*Tsingtao*], December 23, 1945—noon.  
[Received January 11, 1946—11 p. m.]

## 1. Situation report for December :

Municipal Govt, Tsingtao, is exercising normal control without much difficulty but petty looting vacant Allied property by local populace and irregular seizure enemy property by local officials continue to some extent. Measures to restrict enemy nationals by Chinese and American military authorities are just now being put into effect. No critical food problem at present but coal supply for public utilities will be exhausted within 3 weeks unless new supplies are received. Trade and industry are at a standstill.

Chefoo is still in the undisputed control of the Communists.

American sources report conditions at Tsinan bad, with division of authority and dissension between Chinese military and civil authorities and constant serious threat from nearby strong units of Communists.

Sent to Chungking, repeated to Dept and Shanghai.

Railways in Shantung inoperative except for short stretches. Chinese report advance units of National Eighth Army nearing Weihsien en route Tsinan. Unless Communist opposition to its forward movement ceases, little likelihood it will be able reach destination. Little possibility therefore of re-establishment of rail transportation between Tsingtao and Tsinan near future. Extensive repairs will be necessary before normal operations will be possible.

Six thousand Japanese troops have arrived Tsingtao from Tsinan overland for repatriation. Repatriation of Japs from Tsingtao proceeding at limited rate.

Three American aviators who made forced landings in interior recently delivered to Marine authorities by Communists. Impression made [by] Communists on aviators and rescue party extremely favorable. Communist attitude recently changed to friendliness toward the U. S. A. They are reported superior in numbers and quality to National Govt troops in this area.

MEYER

893.00/12-2345 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 23, 1945—2 p. m.  
[Received 6:14 p. m.]

2206. Below is summary of report of Military Attaché for week ending December 22:

Chou En-lai, heading Communist delegation to Political Consultative Council, returned to Chungking this week, and although date for

convocation of council has not been decided, that it will meet is certain. Importance of council with respect to military situation is that cessation of hostilities, unless effected prior to opening session, presumably will be first concern of delegates. Under pretext of preliminary efforts at truce and discussions with respect to question of time and procedure, both sides seem to be playing for time. President's recent statement on United States' policy toward China<sup>8</sup> has been warmly endorsed both by Central Government and Communists—the Central Government with hopeful generalizations and the Communists with cautious optimism. Contending groups are clearly aware the pressure is on and Central Govt's [present?] advantageous military position in North China is being neutralized by somewhat weakened bargaining position in Chungking. That Central Govt's hope of unconditional American backing is fading rapidly is hardly open to question.

There was no change this week in situation in Manchuria, no hostilities nor advances being reported. There was no confirmation of rumor that Central Govt Forces were bypassing Mukden and advancing north. Some evidence exists that announcement of conclusion of Sino-Russian agreement for airlift of Central Govt troops to Changchun was premature, and that no final agreement has actually been arrived at. Heating problems in soldiers' barracks are being given by Chinese press as reason for delay. Soviet procrastination in dealings with Central Govt rests on ample precedent and in this instance Russian interests in possible significant changes in American policy may be responsible.

Further evidence that Communist material cannot meet test of prolonged open warfare with Central Govt troops is provided by report from Central Govt and other sources that Communists are abandoning their long siege of Paotou and Kueisui. It is conceivable that they have given up hope of capturing these two important cities and intend to harass communications in Suiyuan Province as tactic more commensurate with their military effectiveness. They are said to be wrecking Peiping-Suiyuan Railway as they move east toward Kalgan, and recent information from that area indicated they are regrouping east of Kueisui and are being reinforced by fresh troops from Hopei and Chahar.

There has been considerable activity this week in Shantung Province where Tsinan is reported to be surrounded by 70,000 Communists. Many sections of Tsinan-Tsingtao Railroad have been made unusable by Communists and advance of Central Govt Eighth Army seems to have stalled somewhere between Kaomi and Weihsien. Com-

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<sup>8</sup> December 15, p. 770.

munist troops which attacked and isolated Lincheng on Tsinpu Railway are said to have been repulsed, but in view of their heavy concentrations in southern Shantung renewed attempts to sever this important communication route are certain. New evidence appeared of Communist movement to Shantung's north coast from where they are being transported by boat to Dairen.

Communist threats to all important lines of communication have never been stronger or more extensive than at present time. Massing of Communist troops northwest of Hankow this week continued to be observed and one of objectives is probably interference with repairs to Pinghan Railroad. Renewed attacks toward Siangyang, Hupeh, from this base are also indicated. Farther north on Pinghan line Communist troops have been reorganizing around Lanyang, point from which Central Govt has been holding southern section of railroad against Communist units which flank destroyed section between Kaomi and Tzuhsien. First indication of possible major attacks upon Nanking-Shanghai Railway appears with report that new Fourth Army units are taking up positions north of this line. Near Fengjun, in northeast, operations apparently are being prepared against Peiping-Mukden Railway.

North China observes report this week that Japanese Communist Okamo, who has been living at Yen-an, was flown to Mukden to persuade Japanese troops in Manchuria to join with Communists. Several sources report that leftist Japanese are being recruited by Communists and sent as political organizers to Japan and Korea after period of training in Communist schools.

ROBERTSON

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S00.20293/12-2645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 26, 1945—4 p. m.

[Received December 26—9:30 a. m.]

2216. Proposed Sino-American intelligence organization (ReDeptel 2014, Dec. 19) is regarded unfavorably by Embassy for reasons coinciding with those expressed in Deptel 1899, Nov. 26.<sup>9</sup> Economic penetration and concealment of assets in China by Japanese and German nationals is a matter of concern to all United Nations. It would seem inappropriate, therefore, for our Government and the Chinese independently to set up a joint intelligence organization to investigate these problems. In Embassy's view, purposes of such an organization could be too easily misconstrued by other Allied Nations. (Repeat to Shanghai.)

<sup>9</sup> See footnote 75, p. 679.

If requested by the Chinese, the Embassy would see no objection to making available the services of a qualified technician in the Alien Property Custodian field.

ROBERTSON

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Nanking Embassy Files. Lot F-73-710 Sino-US

*The Commercial Attaché in China (Calder) to the Chargé in China (Robertson)*

SHANGHAI, December 27, 1945.

DEAR WALTER: The new pronouncements and directives are a bit startling as we don't know exactly what is behind them, whence emanates the advice on which the ideas are based, and exactly their aim.

If the purpose is to smoke the Soviets out into the open and nip double dealing in full bloom, so to speak, then it seems to make sense. But we are seldom if ever so subtle in our approaches as to take an indirect method such as this.

If the purpose is to force the Chinese Communists to display their true colors as to whether they are independent or are functioning as a "fifth column" for Moscow, then it seems we are wasting our time, because the latter premise can well be accepted as axiomatic. (The background for this assumption was given in my memo written in Cairo last March, which I showed you here last week; a copy is appended.)

If the aim is to serve notice on the Soviets that we do not intend to pour billions of dollars of aid into China only to have the objectives vitiated by Soviet machinations, then it would seem we are on the right track, provided the Chungking authorities are "in" on this strategy. We did something similar in Italy when we blocked Soviet demands for reparations from that country, saying we would not pour hundreds of millions of dollars of relief into Italy only to have it siphoned off by the Soviets as reparations.

This tactic worked on that occasion but Italian reparations constituted a small or relatively unimportant matter compared with the grand but unsuccessful play which the Soviets made in the 1920's to win China over and to convert it lock stock and barrel into an "Autonomous" Soviet Socialist Republic. The demand for reparations from Italy was an insignificant matter as compared with the bold strategy employed by the Soviets in recent weeks and just now in playing for really big stakes—by continuing to hold Manchuria in their clutches, by stripping the area of its war booty (machinery), by pulling the farce of a "unanimous" plebiscite in Mongolia, by inciting

border troubles in Sinkiang, by virtually converting North Korea into a Soviet Socialist Republic, by shutting us out of all the affected regions, and by using their good old reliable nest egg, the Chinese Communists, to rob China of Peace.

If we are now seriously putting the Chiang Kai-shek regime on the spot and if we are blaming it solely for the chaotic conditions now extant in China, are we not failing to read the signs aright? In spite of the above array of evidence, are we deluding ourselves into thinking and believing that the Chinese Communists are dissociated from Moscow? If they are the tools of Moscow, if they do constitute the Soviet Trojan horse within the gates of China, is there any chance that the forcing or inducing of a coalition will solve China's problems according to our lights? Is it not more likely that we shall simply be playing into the hands of the Soviets?

I have wondered at our policy in regard to China ever since I wrote my memo for the American Minister in Cairo. I could not understand why, just having completed the basis for the United Nations organization at San Francisco, we allowed T. V. Soong to rush off to Moscow (via Chungking) to try to work out a bilateral deal. It seemed to me that we were throwing China to the dogs. Later, when I read in the press that Dr. Soong was daily conferring with Ambassador Harriman in Moscow (first week in July 1945) and that the latter was keeping Washington advised, I assumed that this was a rather open way of trying to determine the Soviet "temper" with regard to the Far East prior to the scheduled Potsdam Conference. Then, when the boys returned from Potsdam and indicated that we had "talked tough" with the Soviets at Potsdam and had told them in so many words that the Far East was "our show" and that they were to "lay off" if they had in mind any similar performance in Asia to that which they had put on after V-E Day in Europe, I wondered whether we would really "act tough" in case of necessity. It seemed foregone by then that the Soviets would come into the Far Eastern War ninety days after V-E Day. I had seen the scores and scores of ships loading Lend-Lease for Vladivostok in West Coast ports. The atom bomb being timed two days ahead of the Soviet declaration of war seemed to have robbed the Soviets of most of the glory for ending the Pacific War. Since that event the developments have been about of the pattern which was roughly outlined in my Cairo memorandum written in March (before V-E Day, before V-J Day, without any comforting knowledge of the "Manhattan Project").

That we then began to withdraw our forces from China, just as we had done in Europe, and tried to quiet public opinion at home by continuing to announce that we would not interfere in "China's internal problem" seemed to me like throwing China to the dogs again.

It did not seem to me to be too high a compliment to the Chinese to announce in mid-October that we were going to make China a bridge or a buffer between ourselves and the Soviets. The Chinese could scarcely interpret this in any other light than that we proposed to make China the goat for what is obviously developing as a basic clash between the U. S. S. R. and the U. S. A. as to which will dominate the future course of world affairs. When we heard of Sino-Soviet conferences at Chungking and Changchun, all secret, and then that a settlement had been reached, it seemed to me that by not participating in this we were again throwing China to the dogs, virtually forcing Chungking into bilateral adjustment to probably new and rapacious Soviet demands. It seemed to me that in this case there might naturally be resentful excuse and occasion on the part of Chungking to yield to Soviet terms of a secret nature of which we would not be apprised. The Hurley declarations<sup>10</sup> publicly announced that there was apparently a section of our China service who favored the Chinese Communists at a time when he was sent to support and morally fortify the Chiang Kai-shek government in continuing its struggle against the Japanese. Now, with the Japanese menace out of the way, but with an equally sinister Soviet threat looming, we seemingly reverse ourselves to some degree, making it appear that both "parties" in China, (unmixable, opposed, elements) are guilty of failing to get together in a unity which would permit of the furtherance of American aims for and aid to China.

If this is just publicity strategy in a deeper game which has been well thought out in advance, then it is all right with me. But if it is an indication of what we really think at home in this matter, then it seems to me that we do not understand the situation well and may be acting on the wrong advice, and in a manner possibly to hasten defeat of our stated aims.

We apparently now realize full well that it will be useless to proceed with large loans for the industrialization of China and to attempt to make it a "buffer" unless the basis for the success of such procedure exists. But I'm wondering whether we have a proper understanding of the fundamentals. Thus, I feel it more or less a duty to present my views on the subject as of possible use at this strategic time. It seems that it is a time when we should all put our heads together. My experience and background is, I feel, unique, and it should be used. If I'm wrong I'm quite willing to be slapped down. If I'm wrong it's because I do not know the "inside". I have read the signs correctly and have "called the numbers" on many occasions, aside from the Cairo memorandum herewith.

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<sup>10</sup> See pp. 722 ff.



Were we so naive as to think that the Soviets would sit quietly by and let us build up China to be a buffer? Japan struck (in 1937) in China when it thought China was progressing too rapidly toward unity and after we had announced resumption of financing. Would it not be natural to expect that the Soviets would and could call our hand in this situation sooner or later?

The Soviets began their work of making a buffer out of China some twenty-three or twenty-four years ago, and the present civil war is nothing less than a "flowering" of their effort. Their purposes were open in trying to destroy American and British prestige in China in those days. Borodin, now editor of the Moscow Daily News (only English language daily in the Soviet Union—published in Moscow for foreign diplomatic consumption) was here in China conducting the propaganda, daily anti-American and anti-British blasts. After Chiang Kai-shek chased the Soviets out in April, 1927 (realizing they were bringing harm instead of good to China, and to ward off foreign intervention) they went underground. I have no doubt whatever, however, but that they have kept their finger on China's pulse ever since, that they are now guiding and aiding the Chinese Communists and using them as the tool to thwart U. S. objectives in this country. Again the Soviets have been carrying out a publicity policy in Shanghai designed to diminish American and British prestige in Chinese eyes. I say "again have been" for the reason that about one week ago (probably on instructions from Moscow) this campaign suddenly ceased and the propaganda machine switched to German matters and innocuous world and local news.

The uncertain situation in Manchuria is typical of how an agreement with the Soviets works out after it is made. Somehow the phraseology of the agreements always has two interpretations, (1) the construction the Soviets put upon it afterwards and (2) that understood by the opposite party to the negotiations at the time the agreement is signed.

Manchuria, to the Chinese, is the difference between China operating at a profit or at a loss. It is, or was, the rich surplus producing area, agriculturally and industrially. It underwent a considerable industrial development under Japanese efforts to exploit "Manchoukuo" to the full. It thus strengthened Japan in its war against us. Obviously it has now been stripped of its major industrial equipment. Its agriculture has apparently undergone some deterioration under Japanese control. The Japanese drew upon the Chinese agricultural labor of Manchuria to build up industry and for military purposes as well. "Manchoukuo" troops (Chinese) fought against the Soviet attack in August this year. But, given encouragement, the Chinese farmers of Manchuria will again produce huge surpluses. It is a

breadbasket out of which Japan drew plentifully. The bean crop is of enormous value to any country able to draw upon this agricultural wealth. The Japanese were trying to build Manchuria up to fifty million tons of agricultural production in grain, beans, and other main crops, but their stupidity in failing to make it attractive to the farmers caused them to fail in this objective.

It is obvious that the Soviets want to control this rich area, which, had it come into Chinese hands at the close of the war, would have provided China with much of the industrial equipment it needed. There was a ready made economy there. The equipment is now spirited off to Komsomolsk and other Soviet centers. To replace it, in its efforts to aid China, the United States must spend several hundred more millions than would have been the case had the Soviets not looted it. Instead of the Chinese realizing upon this war booty, it will be used to build up the war economy of the Soviet Far East. It sets the United States back immeasurably in any effort to aid China.

Communist doctrines cannot take root, or flourish, in an atmosphere of prosperity. The more railroads and other modern developments the Chinese Communists destroy in North China, the less resistance there will be to the Communist movement in the affected areas and the more costly it will be for America in efforts to rehabilitate China, once the Communist depredations may be stopped. The Soviets will have won something, in any case, out of all this.

One wonders what we are discussing at Moscow in the conference which has been going on for about a fortnight. Are we trying to buy peace by offering a six or ten billion dollar loan? We have apparently thought in recent months to keep the Soviets "in line" by withholding our magnanimity in this respect. While we have, so to speak, been rubbing our nickel against our dime, in the past few months, the Soviets by tricky diplomacy and aggressive acts have proceeded with taking unto themselves and will try to hold some hundreds of billions of dollars of new assets. They are well set up and do not need our aid. We owe them no moral obligation considering their moral shortcomings. I have steadfastly opposed our giving a postwar credit to the Soviets for the reason that it should be patent it would be used mainly and perhaps entirely to strengthen their war power, mayhap to use against us.

With our aid the Soviets participated in winning the war in Europe, acquiring and adding to the Soviet Union an area about one fifth the size of the United States and populated with 140,000,000. Reparations began to flow into the U. S. S. R. out of Rumania and Finland before the end of 1944. One can well imagine what has happened to industrial plants and other assets in the portions of Germany, Austria, Czecho-Slovakia, and Hungary occupied by the Soviets.

Since V-J Day the Soviets have sought to add Manchuria (about the size of Germany—30,000,000 people), half of Korea (14,000,000 people), and Iranian Azerbaijan to the Soviet Union, not to mention demands for participation in the control of Japan. They may probably end by getting hold of Hokkaido, the less sparsely populated northern island of Japan, which is potentially a surplus producing region (for food) as compared with the other main islands of Japan which are normally over-populated food deficit areas. The technique is to demand something to which the U. S. S. R. is not entitled and upon retreating from the demand to secure something tangible in its place, i. e., to get something for nothing. We should rap down on tricky diplomacy as an imposition on our good faith.

Their position may be appraised about as follows: The Soviets now hold the vast Hungarian, Rumanian, and Ukrainian bread baskets, the surplus food areas in the five Central Asia Soviet Republics, the machine farmed surplus areas in Siberia, and now Manchuria (they have not yet let go of it).

Instead of our offering appeasement in the way of loans, we should be expecting the Soviets to give out of their enormous surplus areas a proper share of the food which will be required to feed the populations in the huge deficit areas which fall to our lot to aid. We are burdened with some 70,000,000 people in Japan, 420,000,000 in the vast deficit areas of China proper, 40,000,000 in France, and so on. I would think that the Soviets would be chortling in ghoulish glee at our predicament in the areas which we control or are obligated to aid. In fact they have been chortling quite consistently of late in their local press at every disadvantage they can see in the American and British position.

Isn't it clear that the Soviets are out to create any kind of situation which will produce or continue a drain upon American economy and which will add to their own present and potential wealth and controlling position?

Now we are apparently out to force the Chungking Government to accept the Chinese Communist party into the Government on a coalition basis. Will it work, if achieved? Will not the Soviets move in and begin directing affairs, pulling the strings and operating their puppets once the latter are installed in the government of China? Isn't it likely that they will make a pretense of harmonious relations until we sink our billions only then to find out that Chinese labor won't work (goes on strike), that the plants are thus useless, or even that they will be sabotaged and destroyed and, thus, that our aims may be defeated?

We are, of course, wise to call a halt to our program until this situation is clarified. But it cannot be clarified until it is recognized that a basic conflict of aims exists, with the Soviets gaining ground quite rapidly, while we seem to be groping around in confusion.

In Japan we are apparently preparing to do away with the Emperor and the system which goes with it. We have nothing to replace it speedily but the Soviets have. They have Soviet ideology all ready to plant just as soon as we destroy the religion which the Japanese have. It seems that people must have something in which to believe. In the Soviet Union the revolution sought to destroy the church and belief in its tenets. The young generation had to be given some belief, so Leninism and Stalinism were given the people as a substitute for religion. So soon as we destroy the only belief to which the Japanese cling, if we do it before the people have achieved some better economy than they now possess, the vacuum will be readily filled with Soviet inspired and nurtured Communist propaganda, the infiltration for which has been well prepared in advance. It is not likely that our efforts to rule Japan as a conquered state and to lead its people to democratic beliefs and practices, a long and tortuous route, will be killed before birth? The Soviets will promise them everything,—are we promising them anything? Under the circumstances, how will it come out?

A sludge of Soviet literature in the Chinese language is now on sale in Shanghai, openly advertised in the local Soviet papers. Isn't it likely that the doctrines are already being printed and circulated in Japan under cover, in the Japanese language, preparing the way for introduction of the Soviet religion to replace the Japanese religion? This is no plea to preserve the Japanese Emperor. But there is something in timing. We could fool the Soviets by keeping the Japanese Emperor for a while as a puppet as we have started to do. Of course, it would hold up our program, but at least it would not bring on with a rush defeat of our aims. His trial and speedy disposition as a war criminal would probably serve Soviet aims admirably.

It seems clear that the Soviets want to drive us out of Asia and to have it to themselves. We, if we are interested in Asia, as a field for our influence and trade, thus face the Soviet Union along an eight thousand or nine thousand mile front stretching from Hokkaido across Korea, North China, Sinkiang, Afghanistan, Persia, and Turkey, and if Europe is an interest of ours, across Europe as well. That front is moving southward. The Soviets are making more gains out of outsmarting us in peacetime chicanery than if they were winning a third World War. The unsettled world situation thus created, serves another Soviet aim as well. It serves to keep their own people cowed and "in hand" and to hold their people's respect for Moscow's prowess in "diplomacy". Unless the tension can be kept up, their people on the *qui vive*, the people might have a chance to dwell upon their own troubles.

The Soviets do not like our ways or plans for liberating peoples. The Soviet way is to permit the peoples to "join" the Soviet Union.

Our method is to pave the way for real independence—witness our treatment of the Philippines. It seems clear that the Soviets do not want us to be successful in assisting any Asiatic peoples to our brand of freedom under our aegis. The Soviets are afraid that if this is carried too far, we may some day exhibit an interest in freeing the Soviet people from their bondage. It is thus necessary to preserve the position of the present nobility and upper crust, the party members, in the Soviet Union by obstructing our methods, aims and ambitions and by thwarting the spread of our ideology. Are we too dense to see all this?

The Soviets know that we are in no mood to fight, at present. As a result many things on which we did not count are falling into their laps. We seem to be losing out,—they seem to be gaining. Soviet citizens with whom I talked in Moscow, young people not long out of school, had been thoroughly taught that it was the United States which was to blame for the chaotic world conditions which resulted in World War II. These same individuals seemed equally grounded in the belief that, after the second World War was over, America would again recede into isolationism. Their present reading of world news must convince them of this trend and their mentor, the Soviet propaganda machine, can easily justify Soviet acts of aggression at present as necessary to insure peace in a precarious world. Despite our almost desperate efforts to organize a United Nations Organization to preserve peace, the Soviet schemers interpret our retirement militarily from the world scheme as “retreat into isolationism”, giving them the splendid opportunity to exercise aggressive peacetime aims netting them as great gains as if they were winning a war. The Soviet front, (literally boundary lines), moves forward even in peacetime. The Soviets are the winners of this war. Who else has won anything?

Some of our people argue that the Soviet Union cannot afford another war,—therefore that it must get in line with us. I ask—just why should they get in line with us so long as their present methods net them such a handsome return without danger of war? Isn't it more likely that they will continue to pursue their advantage, to keep the world in turmoil so long as they can get something out of it and so long as they can thwart us? It is an old game. They are playing it for all that it is worth. The technique is well worked out. A democracy such as ours (with policies dictated by public opinion which can in turn be influenced by the potential enemy utilizing freedom of the press and free speech in our midst) is no match in diplomacy for a ruthless despotism such as the Soviet Union which can act on the instant without consulting or fearing public opinion at home. We could at least let our public know these facts and be credited with warning our people as to what possibly is in store. I feel that Americans in general have little appreciation of this whole matter and that

this lack of understanding reaches into very high places. Thus, I trust these lines may be helpful, for the moment at least in understanding the situation, if not in offering the solution and answers. The only kind of answer we are looking for, it appears, is the one which is spelled PEACE, without further conflict. Yet the only attitude which the Soviets are likely to respect is one in which fighting power is backed by the intent to use it, if necessary.

I have now viewed the Soviet menace from the inside, in Petrograd before, during and after the Revolution, 1916 to 1918; from Moscow—two years, 1943–1944–1945; from Cairo, Feb.–June, 1945; from Washington, July, August, September 1945; and from Shanghai. I have put down in writing for the use of the Department the results of my observations from all but the first of these several locations. I reported extensively on the Soviet penetration from Shanghai in the 1920's, in 1931, in 1940 and 1941, in October–December 1945, and now in this letter. The overhanging Soviet threat is obviously the principal influence which can affect adversely the efforts of an American Commercial Attaché in China.

I shall end this in the same way I ended the introduction to my report on the Soviet Union for 1944—"The Soviet Union is clearly in the ascendancy, aided by its allies, the United States and Great Britain."

Sincerely yours,

A[LONZO] B. C[ALDER]

[Annex]

*Memorandum by Mr. Alonzo B. Calder<sup>11</sup> to the Minister in Egypt (Tuck)*

CAIRO, March 20, 1945.

MR. MINISTER: You asked regarding the prospects or probabilities of The Soviet Union helping us in the Far Eastern War. Of course no one can answer that question exactly. We live in a world and times of surprises and we may get both surprises (pleasant or unpleasant) and some shocks before we are through with this melee.

Everyone asks what the Soviets will do when the European war is over. Views in Moscow non-Soviet circles at the time I left appeared to be about as follows and I have had intimations from recent arrivals from Washington that the thinking there is about the same. (However, my own views are included herein).

A. The Russians will not be likely to come into the Far Eastern conflict at any early date for the following reasons:

1. The Japanese Army is still strong, could put 2 million men in Manchuria and retain an adequate force in China to hold China for a

<sup>11</sup> Foreign Service officer temporarily assigned to the Legation in Egypt.

considerable period. (This idea seems confirmed in Admiral Nimitz's statements in Washington recently in the press—"Japan's fleet must still be considered a threat—her army is scarcely damaged—our forces have come up against no more than 10 percent of Japan's Army in the island fighting." A Swedish official recently out of Japan stated in Moscow recently that Japan could easily mobilize 2 to 2½ million men additional to its present forces in the field.

2. Soviet war industry developments in the Far East of the Soviet Union are not yet capable of supplying a force (i. e. material) needed to fight 2 million Japanese in Manchuria. Indeed, the Japanese might be able to jump large forces into Manchuria and to cut the trans-Siberian railway and the alternative line north of it before the Soviets could transport any large force to the Far East.

3. It would thus take the Soviets some time to cope with such a situation as they would have to transport the major force, its equipment and even food supply a distance of 5,000 miles or more over the trans-Siberian railway, facing many of the same handicaps which thwarted the Czarist armies in 1904.

4. The Soviets would fear that we would leave it to the Red Army to reduce the strength of the Japanese Army hence would not want to enter into the Far Eastern conflict until we more nearly complete the job ourselves.

5. The Soviets will want to keep a fairly large force in Europe to hold their hard won gains there, will also want to give the Russian people, who are suffering from war fatigue, a breathing spell.

6. In the Soviet Far East, east of China, there are probably no more than 4 million people, and very few of them would be mobilizable at this time. Hence the whole force (aside from border troops) for a conflict in the Far East would have to be transported from European U. S. S. R.

These factors are considered sufficient to restrain the Soviets from getting into the Far Eastern conflict at any early date—that is to say it does not seem likely that they would enter the conflict immediately after German surrender.

B. It is considered, however, that the Soviets will look at the Far Eastern situation fully as realistically and as opportunistically as they have dealt with the European situation, and that when they consider the time "ripe"—possibly a year from now—they will be likely to jump in for the killing near the end of the Pacific war. It is to be assumed that the Soviet assertive and aggressive performance in Eastern Europe will be repeated in the Far East and that when Japan is put out of business the Soviets will automatically succeed to and will partially supplant Japan in the Pacific arena, coming face to face with ourselves and the British, or maybe only with ourselves, since British forces are not likely to be as far north as ours (their interests being to the South).

The Soviets have an old score to pay off in their relations with Chiang Kai-shek, who shook off Soviet (Moscow) influence in April, 1927, and later began to attack the Chinese Communist forces. The

Chungking Chinese are now convinced that the Soviets are directly encouraging the Chinese Communists at Yen-an and that the latter will play their advantage at this strategic time in hopes of riding to power in China. There are some corrupt elements possibly in the Chungking set-up which should be cleaned out but Chungking will naturally endeavor to use our help in this embarrassing situation just as long as possible and to as great an extent as possible. They will contend, with possible truth and justification that the Soviets will not only want to gain wider influence in Asia by aiding the Chinese Communists but will want back all Czarist holdings in Manchuria. There seem to be some grounds for belief that the Soviets have trained a large number (some thousands) of Koreans in the arts of conducting a Soviet Socialist Republic and that Korea, so soon as it gains its independence, will shortly find itself thus organized. The force of Koreans so trained, it appears, have been undergoing tutelage at various Siberian centers for some years with this in prospect.

The only thing which would be likely to restrain the Soviets from carrying out aggressive policies both in Europe and in the Far East would be the fear of united British-American strength and the likelihood of its being used. That is apparently why the Moscow press apparently loses no opportunity to show up and elaborate any symptoms of disharmony between ourselves and the British. Thus, it may be expected that the Soviets will make various experiments to see whether we are really going to "follow through" in carrying out our stated war objectives and their underlying principles, or whether we are likely to waver.

It is clear that we are going to extremes in trying to get the Soviets into line with us. I am wondering what we shall really do when and if we discover that they are not going along with us but are determined to pattern the post war world according to their own concepts. I feel that by now we should have seen more encouraging signs that the Soviets visualize the advantage to themselves of going along with us. That those signs have not been more in evidence is discouraging.

Thus, our really big transcendent problem would appear to be the matter of our future relations with the Soviet Union and, more particularly, how firm and positive we are prepared to be in dealing with the tests to which we shall most certainly be put in this situation. Public thinking (in the United States) is naturally still directed to and absorbed with the questions and problems as to what we are going to do with Germany and with methods of preventing Germany and Japan from again developing war power to threaten world peace, and scarcely considers the really big issue as to how we shall deal with the Soviet Colossus once we have subdued and put its enemies out of business. However, I think this is understood in Washington and that it is not time, as yet, to do anything except what we are doing.



The question of bases in Siberia from which to bomb Japan is no longer a problem since we have Iwojima, and in my opinion the less help we expect or receive from the Soviets in the Far East, the less they will have right to demand by way of recompense. The difficulty will rather be how we can keep the Soviets out of the Far Eastern conflict when they get ready to come in. They will be almost certain to come in, in their own good time, when it costs them the least and will net them the biggest return for the effort expended.

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740.00119 P. W./12-2845 : Telegram

*The Acting Secretary of State to General George C. Marshall, Special Representative of President Truman in China*

WASHINGTON, December 28, 1945—9 p. m.

2077. Chinese Ambassador called at Department December 28 and asked whether in view of China's urgent needs and probable delay in setting up of permanent reparations machinery arrangements could not be made for immediate transport to China of industrial equipment in Japan which clearly is not essential to Japan's permanent economy. He mentioned in particular China's immediate need for increased transport facilities and desire that Japanese transport planes now understood to be available in Japan be turned over to the Chinese for operation in China.

The Ambassador was informed that Ambassador Pauley<sup>12</sup> has submitted a report to the President on the reparations question,<sup>13</sup> that this report is being considered by the interested Depts in the Govt and that as soon as a decision can be reached regarding the forum (e. g. Far Eastern Commission) and framework within which reparations questions are to be handled it will be possible to give consideration to the Chinese proposals. With specific reference to use of Japanese transport planes in China the Ambassador was informed that pending decision on the above reparations questions General Marshall and General MacArthur would be asked to consult together and with the Chinese Government regarding the practicability of the proposal. The Ambassador was further advised that this Govt's views when resolved would be communicated to the Chinese Govt through General Marshall.

We feel that unless it is clear that transfer of Japanese transport planes to China will result in substantial benefits to the Chinese it would be inadvisable to support this project because of possible future requests for continued functioning of Japanese aircraft parts factories

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<sup>12</sup> Edwin W. Pauley, Personal Representative of President Truman, Allied Commission on Reparations, with rank of Ambassador at Large.

<sup>13</sup> Enclosure with letter of December 18 to President Truman; neither printed.

to supply the necessary equipment for planes and for retention of Japanese personnel in China to service the planes.

War Dept is being requested to transmit substance of above to General MacArthur with request that he advise you the number and type of Japanese transport planes which might be made available to Chinese provided such action proves to be in conformity with reparation and industrial disarmament policies which may be agreed upon for Japan.

Your comments will be appreciated.

ACHESON

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893.00/12-3045 : Telegram

*The Consul at Peiping (Stevens) to the Secretary of State*

PEIPING, December 30, 1945—noon.  
[Received December 31—4:09 a. m.]

“Rumors” of existence in North China of a so-called Japanese National Salvation Organization have reached 11th War Zone Headquarters, Major General Hu Chung-ching, Director of Headquarters’ Foreign Affairs Department, reportedly told press yesterday. He was unable to state the strength of this Japanese underground organization but said its aims are disruption of the existing cordial relations between China and her Allies.

The spokesman reported that Soviet Russia had [completed?] the withdrawal of her troops from Jehol and that the Chinese had taken over the administration of that province.

Concerning Communist activity in North China, General Hu reported that “bandit forces” are very active between Kalgan and Huailai and that they are being reinforced in the area west of Nankow. Communists in Hsien [*Sienhsien?*] and Hokien are conscripting tens of thousands of peasants for train wrecking work. The inhabitants of Tsanghsien are being forcibly conscripted and are being sent to other places for military training, the spokesman stated.

General Hu continued to say that the Communists are beginning to seize winter grain and are forcing the inhabitants to supply them in other ways. (Sent to Chungking; repeated to Department.) He charged that Communists disguised as refugees recently poisoned tea and water in attempts to kill Central Government troops in Hopei Province and that they are organizing bands to assassinate Government soldiers and officials.

[STEVENS]

Nanking Embassy Files, Lot F-73—710 Sino-US

*The Commercial Attaché in China (Calder) to the Chargé in China  
(Robertson)*

SHANGHAI, January 3, 1946.

DEAR WALTER: On the chance that you may have considered my ten page letter of December 27, 1945, an imposition, I hereby summarize the main points:

[Here follows summary in seven numbered paragraphs.]

I can now elaborate rather more convincingly on the paragraph beginning with the last line of page 6 of my letter of December 27, 1945, and the paragraph at top of page 7 thereof.<sup>14</sup>

One of our highly experienced men in one of our intelligence agencies here has succeeded in capturing a document which is a very recent Moscow directive to the Shanghai Soviet Consulate. It intimates that both the Soviets and the Chinese Communists will "lie low" for a period of about two years, disarming suspicion of ultimate aims, but that after we have been sucked in, in our scheme for giving China a streamlined modern industrial development to the tune of billions in loan and relief, draining our resources, then the Soviets will launch their active campaign to rob us of our gains and will use China as a base for sovietizing all Asia. In the two year period it is assumed that the United States will have further disarmed and will be off guard, and that the Soviets will have developed either an atom bomb or superior weapon with which they can strike quickly and decisively. It is calculated that we shall remain supine until attacked but, of course, the Soviets will not repeat the Japanese blunder of attacking us.

It is presumed that this Soviet directive has become known to a certain department of the Government in Washington and maybe to the President and to General Marshall, and it may account for the new Presidential directive in regard to our efforts in China, but it is possible that it has not become known to the Department of State. The Intelligence man mentioned has promised to show me a photostat of it and I shall give more data later. The discovery seems fully to uphold the surmises outlined in my letter of December 27.

[Here follows comment on operations of UNRRA in China.]

Sincerely yours,

A. B. CALDER

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<sup>14</sup> See paragraph beginning "Isn't it clear that", p. 713.

RESIGNATION OF AMBASSADOR PATRICK J. HURLEY;  
CORRESPONDENCE RESPECTING CERTAIN CHARGES  
MADE BY THE AMBASSADOR

123 Hurley, Patrick J.

*The Ambassador in China (Hurley) to President Truman*

WASHINGTON, November 26, 1945.

MY DEAR MR. PRESIDENT: I hereby resign as Ambassador to China.

In tendering my resignation I wish you to know that I am in agreement with the foreign policy outlined by you in your recent Navy Day address.<sup>1</sup>

I am grateful to both you and the Secretary of State for the support you have given me and for your kind offer in requesting me to return to China as Ambassador.

In one capacity or another I have been on the perimeter of America's influence since the beginning of the war. During the war I have served in Java, Australia, New Zealand, and generally in the southwest Pacific, in Egypt, Palestine, The Lebanon, Syria, Trans-Jordan, Iraq, Saudi Arabia, Iran, Russia, Afghanistan, India, Ceylon, Burma and China. Of all of the assignments China was the most intricate and the most difficult. It is a source of gratification to me that in all my missions I had the support of President Roosevelt, Secretary Hull, Secretary Stettinius, yourself, Mr. President, and Secretary Byrnes.

In the higher echelon of our policy-making officials American objectives were nearly always clearly defined. The astonishing feature of our foreign policy is the wide discrepancy between our announced policies and our conduct of international relations. For instance, we began the war with the principles of the Atlantic Charter<sup>2</sup> and democracy as our goal. Our associates in the war at that time gave eloquent lip service to the principles of democracy. We finished the war in the Far East furnishing lend-lease supplies and using all our reputation to undermine democracy and bolster imperialism and Communism. Inasmuch as I am in agreement with you and the Secretary of State on our foreign policy I think I owe it to you as well as to the country to point out the reasons for the failure of the American foreign policy in reaching the objectives for which we said we were

<sup>1</sup> Department of State *Bulletin*, October 28, 1945, p. 653.

<sup>2</sup> Joint Declaration by President Roosevelt and British Prime Minister Churchill on August 14, 1941, *ibid.*, August 16, 1941, p. 125.

fighting the war. I will confine my remarks in this letter to Asia, although I wish to assure you that I will be at your service in discussing frankly other phases of our international relations.

I was assigned to China at a time when statesmen were openly predicting the collapse of the National Government of the Republic of China and the disintegration of the Chinese Army. I was directed by President Roosevelt to prevent the collapse of the Government and to keep the Chinese Army in the war.<sup>3</sup> From both a strategical and diplomatic viewpoint the foregoing constituted our chief objective. The next in importance was the directive to harmonize the relations between the Chinese and American military establishments and between the American Embassy in Chungking and the Chinese Government. It will readily appear that the former objective could not be accomplished without the accomplishment of the secondary objective as a condition precedent. Both of these objectives were accomplished. While these objectives had the support of the President and the Secretary of State it is no secret that the American policy in China did not have the support of all the career men in the State Department. The professional foreign service men sided with the Chinese Communist armed party and the imperialist bloc of nations whose policy it was to keep China divided against herself. Our professional diplomats continuously advised the Communists that my efforts in preventing the collapse of the National Government did not represent the policy of the United States. These same professionals openly advised the Communist armed party to decline unification of the Chinese Communist Army with the National Army unless the Chinese Communists were given control.

Despite these handicaps we did make progress toward unification of the armed forces of China. We did prevent civil war between the rival factions, at least until after I had left China. We did bring the leaders of the rival parties together for peaceful discussions. Throughout this period the chief opposition to the accomplishment of our mission came from the American career diplomats in the Embassy at Chungking and in the Chinese and Far Eastern Divisions of the State Department.

I requested the relief of the career men who were opposing the American policy in the Chinese Theater of war. These professional diplomats were returned to Washington and placed in the Chinese and Far Eastern Divisions of the State Department as my supervisors. Some of these same career men whom I relieved have been

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<sup>3</sup> General Hurley was appointed Personal Representative of President Roosevelt in China on August 18, 1944; for documentation on the Hurley Mission, see *Foreign Relations, 1944*, vol. vi, pp. 247 ff.

assigned as advisors to the Supreme Commander in Asia.<sup>4</sup> In such positions most of them have continued to side with the Communist armed party and at times with the imperialist bloc against American policy. This, Mr. President, is an outline of one of the reasons why American foreign policy announced by the highest authority is rendered ineffective by another section of diplomatic officials.

The weakness of American foreign policy has backed us into two world wars. We had no part in shaping the conditions that brought about these two wars. There is a third world war in the making. In diplomacy today we are permitting ourselves to be sucked into a power bloc on the side of colonial imperialism against Communist imperialism. I am opposed to both. I still favor democracy and free enterprise.

Our announced policy in the first world war was to make the world safe for democracy. That slogan was elaborated for the second world war by a definite statement of principles in the Atlantic Charter and the Iran Declaration.<sup>5</sup> We won both wars but in both instances we failed to establish the principles for which we alleged we were fighting. America's foreign policy officials have always been divided against themselves. Consequently, we have always been a prey to the nations that give lip service to our ideals and principles in order to obtain our material support. The war that is now in the making is not even intended to defend or establish democratic ideals. Instead of putting our weight behind the Charter of the United Nations<sup>6</sup> we have been definitely supporting the imperialistic bloc. At the same time a considerable section of our State Department is endeavoring to support Communism generally as well as specifically in China.

The Hydra-headed direction and confusion of our foreign policy in Washington during the late war is chargeable to the weakness of our Foreign Service. If our Foreign Service had been capable of understanding and sympathetic effectuation of our announced war aims it would not have failed so completely to couple our logistical strength with our foreign policy to obtain commitments to the principles for which we claimed to be fighting from the nations to which we gave the strength of our productivity and manpower.

I am purposely omitting from this short paper a discussion of my negotiations with Britain and Russia<sup>7</sup> for the recognition of the territorial integrity and independent sovereignty of China and the procurement from both of these nations of an agreement to support the

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<sup>4</sup>General of the Army Douglas MacArthur, Supreme Commander, Allied Powers, Japan.

<sup>5</sup>For text of latter, see Department of State *Bulletin*, December 4, 1943, p. 409.

<sup>6</sup>Department of State Treaty Series No. 993, or 59 Stat. (pt. 2) 1031.

<sup>7</sup>See telegram of April 14 from the Ambassador in China (Hurley) temporarily in Tehran, p. 329, and telegram No. 1212, April 17, 7 p. m., from the Chargé in the Soviet Union (Kennan), p. 338.

aspirations of the Chinese people to establish for themselves a free, united, democratic government. These negotiations as you know were successful and so far as Russia is concerned was solemnized in a treaty and exchange of letters.<sup>8</sup>

A democracy must live on its intelligence and its integrity and its courage. The people of a democracy should be given all the facts to enable them to form correct opinions. The discrepancy between American foreign policy as announced in the Atlantic Charter and the Iran Declaration and in your recent Navy Day address and as carried into effect may be attributed in large measure to the secrecy which has shrouded the actions of the State Department. All too frequently information concerning the conduct of our foreign relations "leaks" out to the public in distorted, garbled, or partial form. The result is that the American people have too little basic information to judge the extent to which their State Department correctly interprets and administers the foreign policies of the nation.

During the war we had to maintain secrecy to prevent giving aid to the enemy. I grant that sometimes during the war we had to be expedient. Now we should endeavor to be right. I raise this issue because I am firmly convinced that at this particular juncture in our history an informed public opinion would do much to give intelligent direction and implementation to our international objectives.

With special reference to China and the other nations where I have served in the last four years, the blessings of factual publicity would be manifold. Now that the war is over I am willing that all my reports be made public, together with the reports made by those officials in the foreign service who have differed with the promulgated American policy.

Our true position in China is misunderstood abroad because of this confusion of policy within our own Government. This situation suggests the need for a complete reorganization of our policy-making machinery beginning at the lower official levels. No international policy can succeed without loyal and intelligent implementation. Because of the confusion in our own international policy, make no mistake, Mr. President, America has been excluded economically from every part of the world controlled by colonial imperialism and Communist imperialism. America's economic strength has been used all over the world to defeat American policies and interests. This is chargeable to a weak American Foreign Service.

I wish to absolve from this general indictment some of our career men. Some of them are very admirable and well-equipped public

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<sup>8</sup> For texts of treaty of friendship and alliance and related documents signed at Moscow, August 14, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585; for documentation on this subject, see pp. 851 ff.

servants who have fought in the State Department and in other countries against overwhelming odds to advance American ideals and interests.

America's economic and diplomatic policies should be coordinated. America's strength should not be allied with any predatory ideology.

America should support the amendment or revision of the San Francisco United Nations Charter to make it democratic. Our strength should be used to uphold the decisions of the United Nations rather than to support conflicting ideologies or war-making power blocs.

Respectfully,

PATRICK J. HURLEY

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[On November 27 the White House announced that President Truman had accepted the resignation of Major General Patrick J. Hurley as Ambassador to China and had appointed General of the Army George C. Marshall as his special envoy to China with personal rank of Ambassador. For comments by the Secretary of State at his press conference on November 28 on criticism by former Ambassador Hurley, see Department of State *Bulletin*, December 2, 1945, pages 882-883.]

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711.93/11-3045 : Telegram

*The Acting Political Adviser in Japan (Atcheson) to the Secretary of State*

TOKYO, November 30, 1945.

[Received November 30—3: 55 p. m.]

177. John Service<sup>9</sup> and I are identified with the resignation of Ambassador Hurley in meager and confusing reports which have been published here.

It is reported that Mr. Hurley charged that Chinese Communists had been advised by some Foreign Service Officers against reconciliation with the Chinese Central Government; that we "continue to interfere with the affairs of China" here in Tokyo.

It is reported also that an announcement has been made by the Department that in the "dispute with career diplomats" it is siding with Mr. Hurley and that an investigation will be made by Congress.

Some clarification would be greatly appreciated as these reports are incomprehensible.

We very much regret that we have become the objects of this publicity and we certainly have no desire to enter into any public

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<sup>9</sup> Foreign Service Officer assigned to the Office of the Acting Political Adviser in Japan.



dispute. However, if these ridiculous contentions have actually been made by Mr. Hurley, it is our suggestion that the best means of dispelling them would be to produce the record which, regarding my reports, would start with my long telegram which I sent from Chungking at the end of May 1943<sup>10</sup> in which I described the difficulties in China and the immediate and additional assistance to the Generalissimo and his Government.

ATCHESON

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123 Hurley, Patrick J.

*Memorandum of Telephone Conversation, by the Secretary of State*

[WASHINGTON,] December 3, 1945.

General Hurley stated, "The last day I talked with you I said I would be glad if there was anything I could contribute to what you are doing to get General Marshall started—in other words, whether I could be of any help.

"But I want to tell you also that with reference to all the furore on the floor of the Senate and my being called by the two Committees of the House, that I did not ask for any hearing and I have not conferred with any of the people up there. Everyone has wanted me to talk about what I am going to do or say, but I am holding it close to myself and I want you to know that there won't be one word that will be in opposition to you or the President. I am for both of you.

"Another thing, I have thought from some of the things asked me today that they would probably want me to talk about the recent correspondence on Indo-China, Hongkong, et cetera, and I don't intend to do it."

I told him I was satisfied he would not say or do anything that would embarrass the Government in its relation with other Governments.

General Hurley said, "After all, this is my country just like it is yours and we are together about it. I am not going to present any document except those that have already been published without your consent."

I told him that I did not know what documents he had reference to.

General Hurley replied, "You know that I told you there were leaks in the Department. Drew Pearson published a lot of stuff and Langer<sup>11</sup> wrote a letter to the State Department which the Department asked me to answer. That is the document<sup>12</sup> I am referring to."

"However, I wanted you to know I did not ask for the hearing and have had no meetings with any of them and I am going to do my best

<sup>10</sup> No. 803, May 28, 1943, 4 p. m., *Foreign Relations*, 1943, China, p. 57.

<sup>11</sup> Senator William L. Langer of North Dakota.

<sup>12</sup> Not printed.

to have it a quiet and genteel proceeding when I go there. I wanted you to know that any information I have or any help I can give I will be delighted to offer."

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123 Acheson, George, Jr. : Telegram

*The Acting Political Adviser in Japan (Acheson) to the Secretary of State*

TOKYO, December 6, 1945.

[Received December 8—7:13 p. m.]

191. Mr. Hurley's continuous assaults together with the falsity and apparent vindictiveness of his statements seen at this distance to place us in a position where a statement of some kind in refutation appears increasingly unavoidable. I am most reluctant to make a statement which might prolong the matter or which might raise for public discussion any question of past or present policy. But continuous replies of "no comment" to press inquiries lend themselves to the implication that by avoiding comment we give credence to Mr. Hurley's charges. My reputation in the service generally after 25 years is of importance to me. My reputation in China where I spent some 17 years is of importance to me. My reputation in my present position is of importance to me. Mr. Service feels the same way.

While we have continued today to reply "no comment" to press inquiries, I have been considering whether I should not, in the light of all the circumstances, make a statement along lines as follows:

"Mr. Hurley's (radio SCAP (USPolAd) to WarCoS SecState December 45<sup>13</sup>) statement that any officer of the Foreign Service in China sought the downfall of the Chinese Government is completely untrue. The China officers with whom I was associated in the Department from 1939 to 1942 and subsequently in the Embassy in Chungking worked unremittingly as did I to obtain greater aid for the Generalissimo and the Central Government.

This is on the record. My first substantive report to the Department after arrival in Chungking in May 1943 urged increased American aid to the Chinese National Government. No member of the staff was in opposition to this or to many subsequent similar recommendations, and I know of no officer who did not favor support of the Central Government.

Early this year, while I was awaiting promised replacement, after the normal tour of duty, Mr. Hurley returned to the United States and, under the Department's instructions, I assumed charge of the Embassy and remained until after the middle of April, when my successor arrived. The Ambassador's absence was not designed to stop the work of the Embassy. During that period I sent the Department a

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<sup>13</sup> See telegram No. 196, December 8, from the Acting Political Adviser in Japan (Acheson), p. 732.

telegram <sup>14</sup> in the light of the current situation, submitting for consideration some thoughts which we felt might assist in furthering Chinese unity in the war against Japan. The telegram specifically requested that its contents be discussed with Ambassador Hurley in Washington. I do not know Mr. Hurley's purpose in implying that this was done behind his back.

Mr. Hurley's statements, in regard to 'Communism' and to 'European Imperialism' are so empty as regards Foreign Service Officers as to merit no further comment.

After 17 years service in China I know that our officers have been good friends to China, faithful in carrying out their instructions, and devoted to the interests of the United States.["]

Mr. Service has similarly been considering a brief statement as follows:

"Mr. Hurley's charges before the Senate Foreign Relations Committee, as reported in the press, that I 'proposed that Chiang's government be allowed to collapse', and that I circulated my reports [to] the Communists are wholly untrue.["]

I shall, of course, report to the Department if and when any statement is made.

ATCHESON

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120.1/12-745

*Memorandum by the Secretary of State to the Legal Adviser  
(Hackworth)*

WASHINGTON, December 7, 1945.

Because I wish to exercise the greatest care in matters affecting the security of this Government, I desire you to undertake for me a continuing inquiry into certain subjects.

I desire you to determine to the best of your ability whether there is any evidence within the Department, or available to the Department, that any of the officers named by General Hurley in his recent testimony,<sup>15</sup> or any other employees of the State Department, ever communicated to the Communist faction in China any information concerning allied military plans for landings or operations in China. I also desire you to determine to the best of your ability whether any of the officers named by General Hurley, or any others, advised the Communists in China that Ambassador Hurley's efforts to prevent the collapse of the National Government did not represent the policy of the United States, or openly or privately advised the Communist faction to decline unification of the Chinese Communist Army with

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<sup>14</sup> Telegram No. 324, February 28, 1 p. m., from the Chargé in China, p. 242.

<sup>15</sup> Before the Senate Committee on Foreign Relations; Investigation of Far Eastern Policy, December 5, 6, 7, and 10 (filed under 120.1/11-3045).

the Nationalist Army unless the Chinese Communists were given control.

In addition to these questions raised by the statements and testimony of Ambassador Hurley, I desire you to acquaint yourself with any information which may reach the Department from time to time concerning allegations against the personnel of the Department on the grounds of disloyalty to the Government of the United States. I am issuing instructions that information of this kind is to be brought to your attention. I desire you to consider this information, to make such independent inquiries as you may deem necessary, and to report to me as often as may be required with your recommendations for action on my part.

I am delegating to you full authority to investigate such matters on my behalf now and in the future and I am charging you with responsibility commensurate with this authority.

JAMES F. BYRNES

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711.93/12-745 : Telegram

*The Acting Political Adviser in Japan (Atcheson) to the Secretary of State*

TOkyo, December 7, 1945.

[Received December 8—7: 15 p. m.]

193. Newspaper clippings received here indicate that as result Hurley's statements some persons are linking my name with communistic activities. It would accordingly seem appropriate that I make the following statement to the Department for purpose of record and for the use of the Department if the Department should wish to use it.

1. I have always been strongly opposed to communism (this does not mean that I do not favor cordial relations and cooperation between the Big Four Powers).

2. While, as Department is aware, I at one time favored using the question of American aid as a means of pressing for a working military arrangement between the Central Government and Chinese Communists without the concurrence of General Chiang Kai-shek, my relations with Chinese Communists have been limited to the following:

(a) In December 1934, I was sent into Anhwei Province to investigate the decapitation by Chinese Communist soldiers under General Peng Teh-hui of two young American missionaries, Mister and Mrs. Stamm.<sup>16</sup> I was stopped at Wuhu by further instructions and remained there for some time keeping track of the movements of the Communist forces and telegraphing warnings to American mis-

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<sup>16</sup> For reports of Mr. Atcheson's assignment in connection with the murder of Mr. and Mrs. John C. Stamm, see *Foreign Relations*, 1934, vol. III, pp. 479 ff.

sionaries to move from their path. I acted as American coroner when the Stamm's bodies were recovered some 22 days after their murder and, following submission of my reports, the Chinese Government informed the Embassy that two of General Peng's soldiers had been apprehended and executed for the crime.

(b) I have met (and only casually) but one of the Chinese Communist leaders, Chou En-lai, at a large reception where our conversation was confined to saying "How do you do" and "Goodby" to each other. I have never discussed any political matters or talked with or even seen Mao Tze-tung, Lin Tsu-han or others.

(c) During 1944 and perhaps early this year the Embassy at Chungking received from time to time letters from Communist or guerilla commanders at interior places reporting the rescue of forced down American flyers. Copies of these letters were sent to American Military Headquarters and we made replies thanking the various commanders whoever they might be for their services in behalf of American airmen.

3. Except as stated above and Soviet officials whom I have met in the ordinary course of my work, I do not to my knowledge even have acquaintance with any Communist, official or unofficial, American or foreign.

ATCHESON

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711.93/12-745 : Telegram

*The Acting Political Adviser in Japan (Acheson) to the Secretary of State*

TOKYO, December 7, 1945.

[Received December 10—4:27 p. m.]

194. Some newspaper clarification has reached us of Mr. Hurley's charges that Foreign Service Officers in China were aligned with a British, French and Dutch "imperialist bloc" which wished to see the downfall of the Chinese Govt.

From conversations in Chungking with Mr. Hurley, it is my impression that his ideas on this subject flowed from some oral instructions from the late President to keep an eye on European imperialistic activities in southeast Asia, with especial reference to French Indo-China and Siam and which were not intended to have reference to China itself. I remember commenting to Mr. Hurley in Chungking last autumn that it would be difficult to assume that Great Britain, in the light of her hopes to restoration of her large commercial interests in China, would wish anything but a peaceful and stable China and that the same consideration would logically apply to French policy, as a disturbed China would not be conducive to revival of French trade or to the benefit of Indo-China.

I am positive from my 2 years in Chungking that there was no "alignment" by any Foreign Service Officer with any European imperialistic activities as mentioned by General Hurley. I myself saw no evidence of any activities on the part of British, French or Dutch diplomatic representatives seeking any derogation of the authority of the Chinese National Government or of any desire that China should emerge from the war anything but a stable and unified nation.

A few days before my departure in April, General Carton De Wiart, Prime Minister Churchill's personal representative whom I knew well, invited me to luncheon and during a discussion of the Generalissimo's difficulties, was emphatic in stating his conviction in favor of continuing aid to Chiang and the Central Government. The attitude of the British Ambassador had been consistently in support of Chiang Kai-shek, and I think that it would be very difficult for an objective observer to believe that there existed anything in the nature of a plot against China by the three powers in question.

ATCHESON

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711.93/12-845 : Telegram

*The Acting Political Adviser in Japan (Atcheson) to the Secretary of State*

TOKYO, December 8, 1945.

[Received December 10—4:26 p. m.]

196. On the basis of further clarification of Mr. Hurley's charges, I offer comment, for such use as the Dept may deem advisable, as follows:

1. The telegram I sent from Chungking<sup>17</sup> to which Mr. Hurley objected was an official confidential telegram to the Dept and for discussion with Mr. Hurley. Its contents were known only to the Embassy in Chungking and the Dept and Ambassador Hurley in Washington. Its subject matter was not made known or discussed with any Chinese or foreigner or anyone in Chungking outside the Embassy. Unless Mr. Hurley himself earlier informed others in regard to it, any information concerning it was first made public by Mr. Hurley a few days ago. In the light of these circumstances it is difficult to see how Mr. Hurley could consider it in any way a "sabotage" of American policy.

The telegram contained what were merely suggestions for the unification of Chinese military forces to be considered by the Dept and Ambassador Hurley, or to be ignored. The telegram requested spe-

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<sup>17</sup> Telegram No. 324, February 28, 1 p. m., from the Chargé in China (Atcheson), p. 242.

cifically that its contents be discussed with Ambassador Hurley in Washington and they were so discussed. While it is of course to be regretted that this telegram has been misused, it was an honest telegram which will stand the light of examination both from the point of view of its inception and its purpose. The situation between the Central Govt and the Communists was deteriorating and it was the clear duty of the Chargé d'Affaires (myself) to submit for consideration any suggestions he could conceive which might possibly improve that situation. I am informed that when Mr. Hurley complained in the Dept in regard to the telegram he was informed by the then Under Secretary and the then Assistant Secretary in charge of Administration and by other officers of the Dept the telegram was considered entirely appropriate and proper; that it was the duty of officers in the field to report to the Dept conditions as they saw them and to make whatever suggestions and recommendations they felt to be desirable; and that I would have been failing in my duty if I had not endeavored to find some solution for the worsening situation and to submit suggestions to that end.

It is of no personal importance to me that the specific suggestions were not adopted. Officers everywhere are constantly making recommendations; it is a common experience that some recommendations are adopted and some are not.

As regards any subsequent "sabotage" I may respectfully point out that I was not on duty in the Dept until July; that during my 6 weeks there my work was principally Jap, Korean and Siamese affairs; that the only connection with China policy matters which I recall was some assistance I was asked to give in drafting instructions to the Moscow Embassy in connection with the recent Sino-Soviet Treaty agreements. Mr. Service's period in the Dept was limited to routine administrative matters. In Tokyo we have of course no slightest connection with American policy toward China or what transpires in China.

2. General Hurley began his assignment in Chungking with a strong prejudice against the Dept and the Foreign Service and especially officers who had served with his predecessor. Even before his appointment was definite, I assured him that if he should become Ambassador, he would find that he had a competent professional staff of officers thoroughly devoted to the service and to their jobs, that they were making a life work of the service, that most of them had served under a number of chiefs, that they would be loyal to him as their new chief. I urged him to show confidence in them. I called the staff together and told them of these comments and all were in complete agreement that they would do their best for him. It was however, a fixed idea with him that there were officers in the Foreign Service and American military officers who were in opposition to him. For a long time he

did not show us his telegrams to the President in regard to his negotiations with the Chinese Communists and did not in fact even report to the Dept in the matter but sent all his messages by channels other than the Embassy to the White House. When we finally persuaded him that an Ambassador had an obligation to report also to the Secretary of State, he called upon several officers to assist in putting into shape a series of telegrams to the Dept in regard to his activities.<sup>18</sup>

In his first drafts of these telegrams he inserted unwarranted and unbecoming references to his predecessor and also references to the "opposition" of Foreign Service and military officers. I pointed out to him that as we in the Embassy had not known the details of his activities, no officers there could very well be in opposition to them; and that now that we knew what was in progress, no officer in the Embassy was in opposition to his activities or objectives but on the contrary all were staunchly in favor thereof. In connection with one telegram concerning which he requested suggestions for revision I put such statement in a memorandum<sup>19</sup> which is doubtless on file.

3. I may say categorically that during the time I was in Chungking there was not one officer at the Embassy who opposed in any way or was not in complete favor of the Ambassador's efforts to bring the Central Govt and the Communists together, both for the sake of the unity and stability of China and for the sake of the urgent problem of diverting Central Govt and Communist forces from blockading each other to active fighting against the progressing Jap forces. The personnel and efficiency records of the officers he has attacked will all, I think, be found to contain statements as to their proven loyalty, integrity, subordination and devotion to duty under trying and sometimes dangerous wartime conditions. I regard his attacks upon those officers as well as upon me as completely unfounded, as based in the minimum on long standing prejudice, and as incomprehensible for any reasonable purpose especially in the light of our arduous efforts, against overwhelming odds, to assist him, to work for and with him and to please him.

ATCHESON

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<sup>18</sup> See pp. 192 ff., beginning with telegram No. 141, January 31, 6 p. m.

<sup>19</sup> Memorandum of January 31 by the Counselor of Embassy in China to the Ambassador in China, p. 190.



123 Service, John S.

*Mr. John S. Service, of the Office of the Political Adviser in Japan,  
to the Secretary of State*

TOKYO, December 8, 1945.

[Received December 18.]

SIR: I have the honor to submit the following statement which may be useful to the Department in connection with unfounded charges recently made against me by former Ambassador Hurley.

From July to November 1942, the Embassy sent me on an extended trip through Northwest China, unvisited by Foreign Service Officers since the outbreak of the China War<sup>20</sup> and a zone of political tension because of nearness to the developing Communist areas. As a result, while on temporary detail in the Department in January, 1943, I was asked to write a memorandum on the general subject of Kuomintang-Communist relations.<sup>21</sup> Officers of the Department were not at that time prepared fully to accept my view that those relations would become the core of the China problem as the war progressed and would eventually raise a question of American involvement. They did, however, agree in the need for direct and comprehensive information concerning the Chinese Communists in order to evaluate the probable trend and balance of political forces in China.

After my return to the Embassy in May 1943, the Embassy encouraged me to have informal contact with the officially recognized Communist representatives in Chungking for the purpose of obtaining information without which the Embassy's reporting of the political situation would have been incomplete.

In August 1943 I was detailed to duty with the staff of General Stilwell.<sup>22</sup> Because of my experience and acquaintance with the Communists, and because it was thought impolitic at that time for American Army officers to have such contacts, I was instructed to act as the sole liaison between Army Headquarters and the Communist representatives in Chungking who, because the Central Government refused to permit Americans to visit North China, were the only source of intelligence from that area.

As political intelligence officer for General Stilwell, I also made reports to him on phases of the unstable political situation in China which might affect the conduct of the war and his operations. In connection with this work I was sent on several trips to places of actual or potential unrest and necessarily had direct or indirect contact with groups or persons possibly considered by the Kuomintang to be dissident.

The Embassy was kept fully informed of all my activities, which were entirely the gathering and reporting of information, and received copies of all reports prepared by me which were political in nature.

<sup>20</sup> July 7, 1937.

<sup>21</sup> For memorandum of January 23, 1943, by the Third Secretary of Embassy in China, temporarily in the United States, see *Foreign Relations*, 1943, China, p. 193.

<sup>22</sup> Lt. Gen. Joseph W. Stilwell, Commanding General, U. S. Army Forces, China-Burma-India.

This was at the express wish of General Stilwell who instructed me to cooperate fully with the Embassy and to act as a liaison between it and his Headquarters.

By early in 1944, the rapid expansion of American military participation in China, including preparations for air operations extending into and over North China, caused the Kuomintang-Communist impasse to become an important American military problem: in addition to the need for united activation of all Chinese forces against the Japanese, direct access to the Communist-controlled areas of North China was essential for military intelligence, weather information, air crew rescue and so forth. It was natural, in view of my duties on General Stilwell's staff, that I was assigned an active part in the negotiations to obtain permission from both factions for American observers to visit Yen-an. My connection with the matter was made obvious to the Central Government by my presence with Vice President Wallace<sup>23</sup> and General Ferris<sup>24</sup> when consent was finally obtained from Generalissimo Chiang Kai-shek.

The War Department having offered the State Department participation in the observer group, Ambassador Gauss recommended acceptance, for the political intelligence to be obtained, and suggested that I be named. Thus my trip to Yen-an, although nominally in a military capacity as a member of General Stilwell's staff, was actually at the specific request of the State Department.

The Observer Group was explicitly instructed that it was to confine its activities to the gathering of information and such work as air rescue and was not to make any offers or to enter into discussion of military aid or supplies. These instructions were rigidly complied with. They were made known to the Communist leaders in the bluntest and clearest terms in our initial interviews and were a definitely understood condition in all my subsequent relations with them. I so reported in writing at the time.

I remained in Yen-an from July to October, 1944. Copies of all reports prepared by me during that time, including memoranda of all non-social interviews with Communist leaders, were furnished the Department through the Embassy.<sup>25</sup>

When General Stilwell was relieved of command of the China-Burma-India Theater in October, 1944, he ordered my return to the United States and my detail to the Army was considered ended. However, while I was on leave in the United States, his successor, General Wedemeyer,<sup>26</sup> requested the State Department to reassign me to the Headquarters of the China Theater for similar duties.

I have been given to understand that the State Department was reluctant to release me because of a current shortage of officers but that, at the same time, it considered it important to maintain political observation at Yen-an—which could only be accomplished, practically speaking, by an officer attached to the Army. The Department

<sup>23</sup> For documentation on the mission of Vice President Henry A. Wallace, see *Foreign Relations*, 1944, vol. vi, pp. 216 ff.

<sup>24</sup> Brig. Gen. Benjamin Ferris, Deputy Chief of Staff to General Stilwell.

<sup>25</sup> For documentation on this subject, see *Foreign Relations*, 1944, vol. vi, pp. 335-718, *passim*.

<sup>26</sup> Maj. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater.

therefore made my return for duty with General Wedemeyer conditional on my availability for observation at Yen-an. General Wedemeyer agreed, stating that I would spend most of my time at Yen-an. My return to China in January, 1945, was accordingly on that basis.

It was realized before I returned to China that my longstanding contacts with Communists and other opposition groups, my frequent movements about China, my connection with the negotiations for the Observer Group and my having visited the Communist areas, together with my close relationship to General Stilwell, had aroused the suspicion and hostility of certain persons and groups of the Kuomintang. Stories were freely circulated by them to Americans that I was a Communist.

During my absence from China, General Hurley had become Ambassador and it had already become apparent that he was unfortunately willing to give credence to these unjustified attacks (from which other officers of the Embassy and General Stilwell's staff also suffered); that he identified private difference of opinion with "opposition" and "disloyalty"; and that he refused to accept factual reports if contrary to what he apparently wished to believe. In discussing this situation with the then Chief of Foreign Service Personnel<sup>27</sup> before my departure from Washington, I stated that I was nonetheless willing to return to China because General Wedemeyer had requested my services and because I considered it a war job of importance.

On my arrival in Chungking, Ambassador Hurley warned me that if I "ever interfered with him" he would "break me". It was never made clear to me just what he considered "interference".

In February, 1945, after Ambassador Hurley had returned to the United States following a break-down of the Kuomintang-Communist negotiations, there were signs in Chungking of a dangerous drift in the political situation in which both main parties were stiffening their positions and making war-like preparations. The matter was of such gravity that I asked to join the political reporting officers of the Embassy in a telegram to the Department to which Mr. Hurley has apparently objected.

Shortly thereafter it became known that the Communists were about to hold their first Party Congress in many years. In view of the tense political situation in China, it was expected to be of great importance as defining the Communist position and laying down the Party's future policy. Because political observation was obviously desirable and because I had been assigned to Headquarters for that purpose, I was instructed by the Chief of Staff, then in command, to proceed to Yen-an. I did so about March 4, 1945. On this, as on my first trip to Yen-an, I was instructed that I was in an observer capacity only. The Communist leaders were informed of this and understood clearly that I had no policy authority whatsoever.

As the Department is aware, I was ordered back to the United States about April 1, 1945, at the instigation of Ambassador Hurley, and since that time have not been concerned with China affairs of a policy nature.

As for the charges made directly by Mr. Hurley or appearing in what seem to be inspired articles (such as those by a former—non-

<sup>27</sup> Nathaniel P. Davis.

Foreign Service—member of the Chungking Embassy staff), I make the following brief comment.

I am not a Communist. This can be verified by anyone who knows me well.

I did not “sabotage” American policy in China. On the contrary, in answer to unavoidable questions by Communists I explained the impossibility of American intervention in favor of a political party forcefully opposing a recognized government.

I did not tell the Communists that Mr. Hurley’s statements did not represent American policy. On the contrary I never left doubt that they were the policy.

I did not send any messages of any kind to the Communists; nor did I show my reports or other official reports to Communists or any other Chinese; nor did I give the Communists, orally or otherwise, any classified American military information. Officers who were members of the Observer Group can confirm that we took all possible precautions to safeguard our reports.

I did not advocate the collapse or overthrow of the Central Government. On the contrary, my reports will show that I consistently took the view that the Central Government could (and should) strengthen itself by liberalization which would promote unification of the country on a democratic basis, and that American influence should be exerted to that end.

I have had conversation with Mr. Hurley only three times. On two of those I was not asked and had no opportunity to express opinions. I am at a loss to understand his basis for the charges he has made against me. It seems obvious that he has not made a careful reading of my reports and that he is not familiar with the background of my duties and assignments in China which is outlined above.

Everything that I wrote in China was given to the Embassy at Chungking and presumably is a matter of record there or in the Department.

I have received commendations from both General Stilwell and General Wedemeyer. I believe that my efficiency record in the Department of State is favorable.

I have always considered myself a loyal officer of the American Government and the Department of State, and that I have exerted my efforts in the furtherance of American interests.

Respectfully yours,

JOHN S. SERVICE

Approved for transmission:

George Atcheson, Jr.

711.93/12-945 : Telegram

*The Secretary of State to the Supreme Commander for the Allied Powers in Japan (MacArthur)*

WASHINGTON, December 9, 1945—2 p. m.

194. For Acheson, Acting Political Adviser, from Far Eastern Office. In statement before Senate Foreign Relations Committee on December 7<sup>28</sup> Secretary stated *inter alia*:

"The officer in charge of an American mission in a foreign country bears the responsibility for full and accurate reporting of the factors and events which are necessary to the intelligent formulation and execution of United States foreign policy. . . .<sup>29</sup> It is difficult to understand how Mr. Acheson failed in any way to observe the letter or the spirit of these rules and traditions. His telegram of February 28<sup>30</sup> was a full and free report of the current situation in China as he saw it. His recommendation was an honest effort to assist the Department of State in the formulation of its future policy in China. There is nothing to indicate that he sought to circumvent his superior in making this report and recommendation. On the contrary the telegram expressly suggested that this was a matter upon which the views of Ambassador Hurley should be sought by the Department in Washington. . . . It is not my purpose to dwell at greater length upon the two documents [Acheson's telegram and Service's report].<sup>31</sup> In my opinion, based upon the information which has thus far been presented to me, there is nothing in them to support the charge that either Mr. Acheson or Mr. Service was guilty of the slightest disloyalty to his superior officers."

Full text of statement being airmailed. So far as we can ascertain the incident may now be considered closed.

BYRNES

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711.93/12-745 : Telegram

*The Secretary of State to the Supreme Commander for the Allied Powers in Japan (MacArthur)*

WASHINGTON, December 12, 1945.

206. For Acheson, Acting Political Adviser, and Service. Reference your 191 of December 6, 193 of December 7, 194 of December 7, and 196 of December 8. My statement on Hurley charges to Senate

<sup>28</sup> Department of State *Bulletin*, December 9, 1945, p. 930.

<sup>29</sup> Omissions indicated in the original telegram.

<sup>30</sup> Telegram No. 324, February 28, 1 p. m., p. 242.

<sup>31</sup> Brackets appear in the original. For report No. 43, October 12, 1944, by the Second Secretary of Embassy in China (Service), enclosing memorandum of conversation of October 10, one of the documents upon which the Ambassador based his charges, see *Foreign Relations*, 1944, vol. VI, p. 636.

Foreign Relations Committee appears in State Department Radio Bulletin of December 7. You are free of course to make public in reply to those charges any statement you desire.

BYRNES

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[Green H. Hackworth, Legal Adviser, submitted a memorandum on March 1, 1946, to the Secretary of State (120.1/12-745), of which the following are extracts:

MR. SECRETARY: In your memorandum of December 7, 1945, you requested that I determine to the best of my ability whether there is any evidence—

(1) that any of the officers named by General Hurley in his testimony before the Foreign Relations Committee, or any other employees of the Department, ever communicated to the Communist faction in China any information concerning Allied military plans for landings or operations in China;

(2) that any of the officers named by General Hurley, or any others, advised the Communists in China that Ambassador Hurley's efforts to prevent the collapse of the National Government did not represent the policy of the United States; or

(3) that they openly or privately advised the Communist faction to decline unification of the Chinese Communist Army with the Nationalist Army unless the Chinese Communists were given control.

At the Hearings before the Senate Committee on Foreign Relations on December 5, 6, 7 and 10, 1945, the following Foreign Service officers were named by General Hurley:

1. George Atcheson,
2. John Service,
3. John Carter Vincent,
4. John Davies,
5. Fulton Freeman,
6. Arthur Ringwalt, and
7. John K. Emmerson.

We already had in our files communications from Messrs. Atcheson and Service regarding General Hurley's charges.

Following the receipt of your memorandum of December 7, I contacted Messrs. Ringwalt and Freeman who were in the Department. I also sent communications to Messrs. Davies<sup>32</sup> and Emmerson<sup>33</sup> in Moscow and Tokyo, respectively, informing them of the charges and giving them an opportunity to submit such statements as they might desire to make concerning the complaint. We now have statements

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<sup>32</sup> Second Secretary of Embassy in the Soviet Union.

<sup>33</sup> Of the Office of the U. S. Political Adviser to the Supreme Commander, Allied Forces, Japan.

from each of these officers; also numerous reports submitted from time to time by them and by the Embassy in Chungking, regarding the general situation in China.

Each of the above-listed officers categorically denies the charges made by General Hurley. The statements of the respective Foreign Service officers are attached as Exhibits 1-7.<sup>34</sup> In an effort to be fair to these men who did not have a "day in court" during the Hearings, the statements should be made a part of their records in the Department.

Comment on the respective cases follows.

Conclusions:

(1) As to the first of the questions stated at the outset of this memorandum, I find no evidence that any of the Foreign Service officers referred to by General Hurley or other employees of the Department ever communicated to the Communist faction in China any information concerning Allied military plans for landings or operations in China.

In his testimony before the Foreign Relations Committee, General Hurley stated that when the program was prepared for President Roosevelt to go to Yalta there was drafted a paper, dated January 29, 1945, on American policy in Asia, one paragraph of which provided that "if the military, in landing on the coast of China, found the Communists instead of the National Army, they would have the right to arm all forces in such a condition that would assist the American landing force." He stated that "With that I was in agreement" and added:<sup>35</sup>

" . . . But imagine my consternation when I saw a general movement of Communist troops from a territory just described by Senator Austin,<sup>36</sup> all moving toward a certain port in China. Then I read that some Naval officer had been arrested here, and the Communists not only knew the naval port but they knew the most secret plan of the United States, and I picked that up, not from our career men, but from the Communist armed party in China . . ."

The document referred to is apparently a memorandum of that date,<sup>37</sup> prepared by Mr. Vincent as head of the Division of Chinese Affairs, under instructions from the Acting Secretary of State "for use in replying to inquiries from the Secretaries of War and Navy". It was stated in the memorandum:

"We would like to see the rearmament, to such extent as may be practicable, of all Chinese forces willing to fight the Japanese, but

<sup>34</sup> None printed.

<sup>35</sup> Omissions indicated in the original memorandum.

<sup>36</sup> Senator from Vermont.

<sup>37</sup> *Ante*, p. 37.

the present unsatisfactory relations between the Chinese Government and the Chinese Communists makes it impolitic to undertake measures for the rearmament of the Chinese Communists even though it is generally conceded that they could effectively use quantities of small arms ammunition and demolition materials. However, if operations are undertaken along the China coast it is suggested that our military authorities should be prepared to arm any Chinese forces which they believe can be effectively employed against the Japanese, and that they should at an opportune time so advise the Chinese military authorities."

There is also in the files a copy of a document labeled "Item 7", undated and unsigned, headed "A paper communicated by the State Department to the Secretaries of War and Navy and by them to the Joint Chiefs of Staff about January 30, 1945",<sup>38</sup> which contains the identical paragraph just quoted. It will thus be seen that persons other than officers of the Department had access to this information.

The memorandum does not state precisely what General Hurley said, rather it states that it would be "impolitic to undertake measures for the rearmament of the Chinese Communists even though it is generally conceded that they could effectively use quantities of small arms ammunition and demolition materials". It is added, however, and this is probably what General Hurley had in mind, that "if operations are undertaken along the China coast it is suggested that our military authorities should be prepared to arm any Chinese forces which they believe can be effectively employed against the Japanese, and that they should at an opportune time so advise the Chinese military authorities".

Neither Mr. Bohlen,<sup>39</sup> who was at Yalta, nor Mr. Vincent has any knowledge that the matter was discussed at Yalta; they agree that if it was discussed it was probably on a military level.

Each of the Foreign Service officers mentioned by General Hurley has denied that he communicated to the Communists information regarding landing plans, or that he knew what such plans were.

The plans, if there were any, presumably were known to the military authorities. They naturally would have been more directly concerned and hence more likely to be informed.

Moreover, the possibility of Allied landings on the coast of China was the subject of widespread speculation. See for example the first numbered paragraph of Mr. Ringwalt's statement of January 2, 1946, quoted above.<sup>40</sup>

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<sup>38</sup> See footnote 52, p. 37.

<sup>39</sup> Charles E. Bohlen, Assistant to the Secretary of State.

<sup>40</sup> Not printed.



As early as August 1944 the Communist General, Chen Yi, informed Mr. Service of plans to retake former Communist bases in south-eastern China, using for this purpose arms of defeated Kuomintang forces. (Despatch 3021 [3020], Sept. 29, 1944, from Chungking,<sup>41</sup> file 740.0011 P. W./9-2944.) General Chu Teh, Commander of the Chinese Communist 18th Group Army, also discussed "American plans to land on the South China Coast" with Mr. Service on September 22, 1944. (Despatch 3093, October 25, 1944,<sup>42</sup> file 893.00/10-2544.)

I do not find any reason for supposing that military plans were disclosed to the Communists by the Foreign Service officers in question.

(2) On the second of the questions stated on the first page above, namely, whether any of the officers named by General Hurley, or any others, advised the Communists in China that Ambassador Hurley's efforts to prevent the collapse of the National Government did not represent the policy of the United States, I find no supporting evidence.

It is said to have been well known among the Communists, and even to Chiang Kai-shek himself, that the American military authorities were sympathetic to aiding other factions in China, as well as the Nationalists. This knowledge was extant even before General Hurley was made Ambassador. For example, in a telegram dated October 24, 1944<sup>43</sup> Ambassador Gauss in reporting on the forthcoming detail of Mr. Service to the War Department in Washington, explained that the Embassy had reason to believe that "some of our Army officers and perhaps Stilwell favor direct aid to Chinese Communist forces and that object in having Service proceed to Washington has to do with some such proposal".

While the Foreign Service officers referred to by General Hurley advocated that the base of the Chinese Government should be broadened to include representative elements in China, none advocated, as charged by General Hurley, the collapse of the National Government. They deny that they ever advised the Communists that Ambassador Hurley's efforts to prevent the collapse of the National Government did not represent the policy of the United States.

(3) The third charge is that the Communists were advised to decline unification with the Nationalist Army unless the Chinese Communists were given control.

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<sup>41</sup> Not printed, but see *Foreign Relations, 1944*, vol. vi, p. 527, footnote 44.

<sup>42</sup> Not printed, but see *Foreign Relations, 1944*, vol. vi, p. 588, footnote 90.

<sup>43</sup> Telegram No. 1722, October 24, 1944, 8 a. m., from the Ambassador in China; *Foreign Relations, 1944*, vol. vi, p. 657.

The officers in question deny that they ever made any such suggestion or that they ever entertained any such view. They felt that unification of the Chinese forces was desirable but none ever suggested, so far as is disclosed by the record, that the Communists should be given control.

A considerable mass of material relating to various phases of the Chinese political, economic and military situation has been examined. I have used only such parts of it as seemed to be pertinent to the particular charges here in question. I have found nothing that leads me to feel that the charges were warranted.]

THE MARSHALL MISSION: INSTRUCTIONS TO GENERAL  
OF THE ARMY GEORGE C. MARSHALL REGARDING  
UNITED STATES POLICY TOWARD CHINA; FIRST  
CONFERENCES IN CHINA

121.893/11-2845

*Memorandum by the Director of the Office of Far Eastern  
Affairs (Vincent)*<sup>1</sup>

OUTLINE OF SUGGESTED COURSE OF ACTION IN CHINA

(1) The US is prepared to assist the Chinese National Government in the transportation of troops to Manchurian ports to enable China to reestablish its administrative control over Manchuria as an integral part of China. The US and the UK, by the Cairo Declaration,<sup>2</sup> are committed to the return of Manchuria to China. The USSR, in adhering to the Potsdam Declaration,<sup>3</sup> is also committed to the return of Manchuria to China; and by the terms of the Sino-Soviet Treaty and Agreements of August 1945<sup>4</sup> the USSR pledges itself to respect Chinese sovereignty over Manchuria. All of these Governments recognize the National Government of China as the only legal government in China. Resumption of Chinese sovereignty in Manchuria can therefore be properly effected only through reestablishment by the recognized National Government of China of administrative control in Manchuria.

(2) The US is prepared to assist the National Government of China in effecting the rapid demobilization and repatriation of Japanese troops in north China. US marines are in north China for that purpose and stand ready to act more directly and effectively in accomplishing that purpose. Quite apart from the US commitment to assist the Chinese National Government in the demobilization and repatriation of Japanese troops, the U.S. feels that it has a responsi-

<sup>1</sup> Copy in Department files bears no indication of drafting officer, and date was apparently inserted subsequently; name of drafting officer and date supplied from text printed in *Institute of Pacific Relations: Hearings before the Subcommittee to Investigate the Administration of the Internal Security Act . . . of the Committee on the Judiciary, United States Senate, 82d Cong., 1st sess.* (Washington, Government Printing Office, 1951), pt. 7, pp. 2207. For testimony concerning this document, see *ibid.*, pt. 6, pp. 1710-1721 and pt. 7, pp. 2196-2213.

<sup>2</sup> Issued December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393, or *Foreign Relations, The Conferences at Cairo and Tehran, 1943*, p. 448.

<sup>3</sup> Issued July 26, 1945, Department of State *Bulletin*, July 29, 1945, p. 137, or *Foreign Relations, The Conferences of Berlin (The Potsdam Conferences), 1945*, vol. II, p. 1474.

<sup>4</sup> Signed at Moscow, August 14, 1945, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 585-596.

bility of its own, deriving from its adherence to the principles and policies which brought it into war against Japan, to effect the removal of Japanese troops from China.

(3) The US recognizes and supports the National Government of China on an international level, but it cannot support that Government by military intervention in an internecine struggle.

(4) Therefore, an indispensable condition to the accomplishment of (2) above and a highly advantageous condition to the achievement of the ultimate objective of (1) above would be the declaration of a truce between the armies of the National Government and the armies of the Chinese Communists and other dissident Chinese armed forces. The US is prepared to arrange, if so requested by the National Government of China, for a truce between the opposing forces.

(5) The truce mentioned in (4) above could have long-term advantage for China only if accompanied by the immediate convocation of a national conference to seek and find a peaceful solution of China's present political strife. The US is committed to assist the Chinese National Government, in every appropriate way, in the achievement of unity, stability, and democracy in China by methods of peaceful political negotiation. The US is prepared to request the U.S.S.R. and the UK to reaffirm that they also are committed to such a policy. The US is cognizant of the fact that the present National Government of China is a "one-party government" and believes that it would be conducive to peace, unity, and democratic reform in China if the bases of that Government were broadened to include other political elements in the country. Furthermore, the US is convinced that the existence of autonomous armies such as the army of the Communist Party, is inconsistent with and makes impossible political unity in China. It is for these reasons that the US strongly advocates that the Chinese National Government call as soon as possible a conference of representatives of the major political elements in the country for the purpose of agreeing upon arrangements which would give those elements a fair and effective representation in the Chinese National Government. To be consistent, the National Government should at the same time announce the termination of one-party "political tutelage". Upon the institution of a broadly representative [*sic*] government, the Chinese Communist forces should be integrated effectively into the Chinese National Government army.

(6) The US is prepared to encourage and support the Chinese National Government in its endeavors to bring about peace and unity by the creation of a government representative of the various political elements in the country. It is also prepared to request the U. S. S. R. and the UK to give similar encouragement and support to the Chinese National Government.

If the Chinese Government is able to bring about peace and unity along the lines described, the U. S. is prepared to assist the Chinese Government in every reasonable way to rehabilitate the country, to initiate constructive measures for improvement and progress in the agrarian and industrial economy of the country, and to establish a military organization capable of discharging China's national and international responsibilities for the maintenance of peace and order. Specifically, the US is prepared to give favorable consideration to the establishment of an American military advisory group in China; to the dispatch of such other advisers in the economic and financial fields as the Chinese Government may need and which this Government can supply; and to Chinese requests for credits and loans, under reasonable conditions, for projects which contribute toward the development of a healthy economy in China and the development of healthy trade relations between China and the United States.

[WASHINGTON,] November 28, 1945.

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121.893/12-3145

*Memorandum by General of the Army George C. Marshall<sup>5</sup> to Fleet Admiral William D. Leahy, Chief of Staff to the Commander in Chief of the Army and Navy*

WASHINGTON, November 30, 1945.

General Handy<sup>6</sup> has just informed me that you told him you had been directed by the President to draft a statement of U. S. policy regarding China. For that reason I am sending you the attached paper.<sup>7</sup>

The other day the Secretary of State read to me (and to himself for the first time) a draft of a statement of such a policy. It did not appeal to me as sufficiently plain to be understood by the public, it appeared susceptible of serious misunderstanding, and was not sufficiently definite to form the sure base for a directive to Wedemeyer.<sup>8</sup> Therefore I asked him to let me have the carbon to try my hand on it. The attached is the result.

I have some hesitancy in sending this to you since it came to me direct from Mr. Byrnes as an uncorrected draft, but under the circumstances, I have decided to send it to you confidentially.

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<sup>5</sup> On November 27 General Marshall was appointed by President Truman as his Special Representative in China with the personal rank of Ambassador; for announcement, see Department of State *Bulletin*, December 2, 1945, p. 883.

<sup>6</sup> Gen. Thomas T. Handy, Deputy Chief of Staff, U. S. Army.

<sup>7</sup> *Infra*.

<sup>8</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in China Theater and Chief of Staff, China Theater.

The rewrite attached represents the combined efforts of General Handy, General Hull,<sup>9</sup> General Craig,<sup>10</sup> and myself, with some consultation with others. The endeavor was to couch the policy in such language that the public at home could really understand what we were talking about and what the implications were. Also, that it would both give the Generalissimo<sup>11</sup> sufficiently definite data on which to calculate the troops available to him, having in mind that Marines would be in certain ports to guarantee their security, and so that it would at the same time be couched in such manner that we could hold him to action in other matters more purely political. Incidentally, it was felt that the statements should be of such a nature that the Chiefs of Staff could really use it as the basis of a new directive to General Wedemeyer, the previous instructions not being satisfactory for this purpose.

I am clear that we must not scatter Marines around China, but on the other hand, I feel we must hold them in certain ports to protect our beachheads. By such action the Generalissimo would be free to remove most of his troops from those ports, feeling secure in regard to them and having these released troops available for the extensive task of taking over rail communications in North China and releasing the Japanese troops now holding those lines.

I assume that the Communist group will block all progress in negotiations as far as they can, as the delay is to their advantage. The greater the delay the more they benefit by the growing confusion of the situation and the serious results which will follow from the non-evacuation of the Japanese military. Also the longer the delay the less probability of the Generalissimo's being able to establish a decent semblance of control over Manchuria, with the consequent certainty that the Russians will definitely build up such a control.

I suppose we will find ourselves, in this matter, on the horns of a dilemma—on the one side, the reluctance of the Government or the State Department to make so plain and bold a statement; and on the other side, the necessity of saying what we mean so that the people at home and the people in China, and the Russians also, will clearly understand our intentions.

G[EOERGE] C. MARSHALL

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<sup>9</sup> Lt. Gen. John E. Hull, Assistant Chief of Staff, Operations Division, War Department General Staff.

<sup>10</sup> Maj. Gen. Howard A. Craig, Operations Division, War Department General Staff.

<sup>11</sup> Chiang Kai-shek, President of the National Government of the Republic of China, Supreme Commander of the China Theater.

[Annex]

*Draft Statement Prepared in the War Department Based Upon the  
Memorandum of November 28*

U. S. POLICY TOWARDS CHINA

The Government of the U. S. holds that peace and prosperity of the world in this new and unexplored era ahead depend upon the ability of the sovereign nations to combine for collective security in the United Nations organization.

It is the firm belief of this Government that a strong, peaceful, united and effective China is of the utmost importance to the success of this United Nations organization and for world peace. A China, disorganized and divided either by foreign aggression, such as that undertaken by the Japanese, or by violent internal strife is an undermining influence to world stability and peace, now and in the future. The U. S. Government has long subscribed to the principle that the management of internal affairs is the responsibility of the peoples of the sovereign nations. Events of this century, however, would indicate that a breach of peace anywhere in the world threatens the peace of the entire world. It is thus in the most vital interest of the U. S. and all the sovereign nations that the people of China overlook no opportunity to adjust their internal differences without resort to violence.

Therefore, the Government of the U. S. respectfully urges:

(1) That a cessation of hostilities be arranged between the armies of the National Government and the Chinese Communists and other dissident Chinese armed forces for the purpose of completing the return of all China to effective Chinese control, including the immediate evacuation of the Japanese forces. The U. S. is prepared, if so requested by the National Government of China, to assist in arranging for necessary pledges and to request the Governments of the U. K. and the U. S. S. R. to join in this effort.

(2) That a national conference of representatives of major political elements be arranged to develop an early solution to the present internal strife which will promote the unification and stability of China.

The U. S. and the other United Nations have recognized the present National Government of the Republic of China as the only legal government in China. It appears to offer the only instrument able to achieve the objective of a unified China, including Manchuria.

The U. S. and the U. K. by the Cairo Declaration in 1943 and the U. S. S. R. by adhering to the Potsdam Declaration last August <sup>12</sup>

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<sup>12</sup> For this Potsdam Declaration of July 26, 1945, and the adherence to it by the Soviet Union on August 8, see *Foreign Relations, 1945, The Conference of Berlin (The Potsdam Conference)*, vol. II, p. 1474, and footnote 1. See also Department of State *Bulletin*, July 29, 1945, p. 137.

and by the Sino-Soviet Treaty and Agreements of August 1945, are all committed to the liberation of China, including the return of Manchuria to Chinese control. These agreements were made with the National Government of the Republic of China.

In continuation of the constant and close collaboration with the National Government of the Republic of China in the prosecution of this war in consonance with the Potsdam Declaration, and to remove the possibility of Japanese influence remaining in North China, the U. S. has a definite obligation to assist the National Government in the disarmament and evacuation of the Japanese troops. Accordingly, the U. S. has been assisting and will continue to assist the National Government of the Republic of China in effecting the disarmament and evacuation of Japanese troops in the liberated areas. The U. S. Marines are in North China for that purpose. For the same reason the U. S. will continue to furnish military supplies and to assist the Chinese National Government in the further transportation of Chinese troops so that it can re-establish control over the liberated areas of North China and Manchuria.

The U. S. has and will continue to recognize and support the National Government of China in international affairs and specifically in eliminating Japanese influence in China. ~~There are bound to be~~ Incidental effects of such assistance upon any dissident Chinese elements will probably be unavoidable. However, beyond these incidental effects U. S. support will not extend to U. S. Military intervention having as its objective the resolution of any Chinese internal strife.

The U. S. is cognizant that the present National Government in China is a "one-party government" and believes that peace, unity and democratic reform in China will be furthered if the basis of the Government is broadened to include other political elements in the country. Hence, the U. S. strongly advocates that the national conference of representatives of major political elements in the country agree upon arrangements which would give those elements a fair and effective representation in the Chinese National Government. It is recognized this would require the modification of the one party "political tutelage" established as an interim arrangement in the progress of the nation towards democracy by the father of the Chinese Republic, Doctor Sun Yat-Sen.

~~The U. S. is convinced that~~ The existence of autonomous armies such as that of the Communist army is inconsistent with, and actually makes impossible, political unity in China. Concurrently with the institution of a broadly representative government, autonomous armies should be eliminated as such and all armed forces in China integrated effectively into the Chinese National Government army.



So long as the Chinese National Government of the Republic of China moves towards peace and unity along the lines described above, the U. S. is prepared to assist it in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and establish a military organization capable of discharging Chinese national and international responsibilities for the maintenance of peace and order. Specifically, the U. S. is prepared to establish an American military advisory group in China, to dispatch such other advisors in the economic and financial fields as the Chinese Government might need and which this Government can supply, and to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which contribute towards the development of a healthy economy in China.

It must be clearly recognized that the attainment of the objectives herein stated will require an expenditure of resources by the U. S. and the maintenance for the time being of United States military and naval forces in China. These expenditures, however, will be minute in comparison to those which this nation has already been compelled to make in the restoration of the peace which was broken by German and Japanese aggression. They will be infinitesimal by comparison to a recurrence of global warfare in which the new and terrible weapons that now exist would certainly be employed. The purpose for which the United States made a tremendous sacrifice of treasure and life must not be jeopardized.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commanding General, United States Forces, China Theater (Wedemeyer) to the Chief of Staff, United States Army (Eisenhower)*

[SHANGHAI,] 2 December 1945.

CFB 16348. For Marshall. Replying to the numbered paragraphs in War 85670.<sup>13</sup>

[Here follow comments on personnel.]

3. The date that the Seat of Government will be moved from Chungking to Nanking is undecided. All of the Embassies including our own are making tentative arrangements to move late in December hoping that the Generalissimo will decide to move at that time. I queried the Generalissimo however, and he replied that the Government would probably move early next Spring and that certain members of the Government may move prior to that time. I have been unable to get firmer information.

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<sup>13</sup> Not found in Department files.

4. I visited the Generalissimo in Chungking on the day that your selection as Special Ambassador for the President and Ambassador Hurley's resignation were announced.<sup>14</sup> He was highly gratified that you had been selected and was keenly interested in the date of your arrival. The Generalissimo was very fond of Ambassador Hurley and expressed regret that he was not returning. He strongly endorsed Ambassador Hurley's statement, made at time of resignation, and added that it would be very helpful to both America and China. My relationship the past 14 months with the Generalissimo has been pleasant but primarily of an official nature, whereas Ambassador Hurley was very intimate with him. I know that they discussed freely American, British, French and Russian policies in a critical vein. Naturally this created an intimate understanding and a mutually sympathetic disposition toward each other.

5. The Madame was present when the Generalissimo discussed Hurley's resignation and your selection. She was acting as interpreter and made no individual observations except to express her personal regret that Ambassador Hurley would not return. There can be no doubt about the popularity of Ambassador Hurley with the Generalissimo, the Madame, and the small coterie comprising the palace guard. Throughout China the newspapers enthusiastically acclaimed your appointment. Many Chinese businessmen as well as officials of various Governments expressed strong satisfaction and confidence that a workable solution will be evolved. I will amplify my remarks concerning the Madame in general upon your arrival.

6. The Marines are at present operating in defensive role in North China and occupying the following principal ports and points—Tsingtao, Tientsin, Peking and Chinwangtao. In addition small detachments of Marines are stationed along the railroad between Tangku and Chinwangtao protecting important installations such as large bridges and coal mines at Tangshan. The Chinese Thirteenth and Fifty-Second Armies with the Thirteenth as a spearhead have advanced north from Chinwangtao into southern Manchuria and have occupied Hulutao and Chiu-Hsien. The Chinese Ninety-Fourth Army which was airlifted by U.S. planes to Peking is disposed at present as follows:

One division at Peking.

One division stationed at Tangshan to assist in guarding the Tientsin-Chinwangtao LOC.<sup>15</sup>

Another division is taking part in offensive action against Chinese Communists or dissident groups in the area of Tangshan and on both sides of the railroad.

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<sup>14</sup> For documentation regarding the resignation of Ambassador Hurley, see pp. 722 ff.

<sup>15</sup> Line of communications.

At present there are 10,000 Japanese troops supplementing Marines and Chinese in guarding the Tangku-Chinwangtao railroad at strategic points.

The Ninety-Second Army which was also airlifted by U.S. planes to Peking has been held in readiness in the Peking area for anticipated airlift into Manchuria. However I have recently been informed by a Chinese Staff Officer that the Generalissimo plans to employ the Ninety-Second Army to guard the LOC from Peking to Tangku both points inclusive and to employ the Ninety-Fourth Army along the LOC from Chinwangtao to Tientsin and Tangku inclusive. The Eighth Army which was moved to Tsingtao by U.S. vessels is scheduled to move on Tsinan, ostensibly to repatriate Japanese there; however this Army is meeting with strong Chinese Communist resistance. The railroad between Tsingtao and Tsinan is held at present by Japanese Armed Forces. As indicated above, your suggested policy of confining the Marines to a defensive role in holding principal ports and points conforms to our present policy of deploying Marines in North China and would not free Alpha Divisions.

Actually the Chinese Central Government has not left divisions at ports and such points because of uncertainty of removal of Marines. On the contrary, the Chinese have apparently assumed that the Marines will remain in North China indefinitely and have made their dispositions accordingly. There are no Chinese troops in Chinwangtao, Tangku or Tsingtao. Those at Peking and Tientsin are scheduled for employment elsewhere. The present Marine dispositions are substantially in compliance with your suggestion however; Japanese are not being evacuated according to plan for following reasons:

*a.* The Chinese Central Government desires to retain Japanese troops as guards on lines of communications and to hold key areas until Central Government troops do assume those roles. To accomplish this the Generalissimo has urgently requested U. S. shipping to move 5 additional armies to the North China [area?].

*b.* The Chinese Communists expect to retain Japanese troops in the area in order to obtain their equipment and hope to accomplish this by either attacking them outright now, destroying and intercepting avenues of evacuation, or inducing them to desert.

7. As indicated above, no appreciable number of Japanese troops now holding north and south road communications would be relieved by Chinese troops released from port areas. Under the present political situation in North China the Jap troops cannot be relieved unless additional Chinese Central Gov't troops are brought into the area by U. S. resources and further supported logistically by the U. S. There are two possible ways of evacuating Japanese from North China as follows:

*a.* Employ unlimited U. S. resources in support of the Central Gov't, accepting possible involvement in fratricidal war, and thus insure removal of Japanese by superior strength.

*b.* Withdraw support and evacuate the Japanese with such U. S. forces and resources as may be required and without regard to Chinese Central Gov't or Chinese Communists' interests.

If our policy is to unify and stabilize China politically and economically by assistance to the Central Gov't, the support visualized in Subpara *a* above should be adopted. If our primary concern is the evacuation of the Japanese, we should pursue the course mentioned in Subpara *b*.

8. The rail line Tientsin to Chinwangtao must be made secure if the Marines are to remain in North China, if Japanese are to be evacuated effectively and if coal is to be supplied to cities and industries. Tangku, the chief port of the area, freezes in December and the port of Chinwangtao may be required as alternate port.

If we retain the Marines or any other American forces in China a definite publicly announced policy enunciating their mission would be very helpful and might reasonably be expected to clarify our objective in China not only to the Chinese but also to other interested nationals. The announcement could approximately include the statement that principal road and rail lines as well as ports would be maintained and that American forces would not be scattered in the interior or employed on offensive missions. Also the announcement could properly include the fact that the Americans have no offensive intentions anywhere in China against any dissident group but would brook no interference in the role of evacuating Japanese and further that necessary military action would be taken to protect American lives and property in the process.

[Here follow comments regarding accommodations, etc.]

121.893/12-3145

*Memorandum Prepared in the Department of State*<sup>16</sup>

#### U. S. POLICY TOWARDS CHINA

The Government of the U. S. holds that peace and prosperity of the world in this new and unexplored era ahead depend upon the ability of the sovereign nations to combine for collective security in the United Nations organization.

<sup>16</sup> Forwarded on December 8, by the Secretary of State to General Marshall as "a memorandum of my views as to the United States Policy toward China." A memorandum prepared in the Department of State on May 16, 1951, states that "this draft is undoubtedly a redraft of the draft statement of U. S. Policy toward China sent by General Marshall to Admiral Leahy, since it retains most of the wording of the latter draft, shows deletions by overlining of the remaining portions of the latter draft and adds new portions, which are underlined."

It is the firm belief of this Government that a strong, peaceful, united and ~~effective~~ democratic China is of the utmost importance to the success of this United Nations organization and for world peace. A China, disorganized and divided either by foreign aggression, such as that undertaken by the Japanese, or by violent internal strife is an undermining influence to world stability and peace, now and in the future. The U. S. Government has long subscribed to the principle that the management of internal affairs is the responsibility of the peoples of the sovereign nations. Events of this century, however, would indicate that a breach of peace anywhere in the world threatens the peace of the entire world. It is thus in the most vital interest of the U. S. and all the ~~sovereign~~ United Nations that the people of China overlook no opportunity to adjust their internal differences without resort to violence promptly by methods of peaceful negotiation.

Therefore, The Government of the U. S. respectfully urges believes it essential:

(1) That a cessation of hostilities be arranged between the armies of the National Government and the Chinese Communists and other dissident Chinese armed forces for the purpose of completing the return of all China to effective Chinese control, including the immediate evacuation of the Japanese forces. The U. S. is prepared, if so requested by the National Government of China, to assist in arranging for necessary pledges and to request the Governments of the U. K. and the U. S. S. R. to join in this effort.

(2) That a national conference of representatives of major political elements be arranged to develop an early solution to the present internal strife which will ~~promote~~ bring about the unification and stability of China.

The U. S. and the other United Nations have recognized the present National Government of the Republic of China as the only legal government in China. It ~~appears to offer~~ is the only proper instrument able to achieve the objective of a unified China, including Manchuria.

The U. S. and the U. K. by the Cairo Declaration in 1943 and the U. S. S. R. by adhering to the Potsdam Declaration of last August July and by the Sino-Soviet Treaty and Agreements of August 1945, are all committed to the liberation of China, including the return of Manchuria to Chinese control. These agreements were made with the National Government of the Republic of China.

In continuation of the constant and close collaboration with the National Government of the Republic of China in the prosecution of this war, in consonance with the Potsdam Declaration, and to remove possibility of Japanese influence remaining in North China, the U. S. has assumed a definite obligation ~~to assist the National Government~~

in the disarmament and evacuation of the Japanese troops. Accordingly the U. S. has been assisting and will continue to assist the National Government of the Republic of China in effecting the disarmament and evacuation of Japanese troops in the liberated areas. The U. S. Marines are in North China for that purpose. For the same reason the U. S. will continue to furnish military supplies and to assist the Chinese National Government in the further transportation of Chinese troops so that it can re-establish control over the liberated areas of North China, and including Manchuria.

To facilitate arrangement for cessation of hostilities and pending provisional agreement in the proposed national conference, National Government troops will not be transported by the U. S. into areas, such as north China, when their introduction would prejudice the objectives of the military truce and the political negotiations.

The U. S. ~~has~~ recognizes and will continue to recognize ~~and support~~ the National Government of China and cooperate with it in international affairs and specifically in eliminating Japanese influence in China. The U. S. is convinced that a prompt arrangement for a cessation of hostilities is essential to the effective achievement of this end. Incidental effects of such U. S. assistance upon any dissident Chinese elements will probably be unavoidable avoided in so far as possible. ~~However,~~ Beyond these incidental effects, U. S. support will not extend to U.S. military intervention [*intervention*] ~~having as its objective the resolution~~ to influence the course of any Chinese internal strife.

The U. S. is cognizant that the present National Government ~~is~~ of China is a "one-party government" and believes that peace, unity and democratic reform in China will be furthered if the basis of ~~the~~ this Government is broadened to include other political elements in the country. Hence, the U. S. strongly advocates that the national conference of representatives of major political elements in the country agree upon arrangements which would give those elements a fair and effective representation in the Chinese National Government. It is recognized that this would require the modification of the one-party "political tutelage" established as an interim arrangement in the progress of the nation towards democracy by the father of the Chinese Republic, Doctor Sun Yat-sen.

~~The U. S. is convinced that~~ The existence of autonomous armies such as that of the Communist army is inconsistent with, and actually makes impossible, political unity in China. ~~Concurrently~~ With the institution of a broadly representative government, autonomous armies should be eliminated as such and all armed forces in China integrated effectively into the Chinese National ~~Government~~ army.

In line with its often expressed views regarding self-determination, the U. S. Government considers that the detailed steps necessary to the achievement of political unity in China must be worked out by the Chinese themselves and that intervention by any foreign government in these matters would be inappropriate. The U. S. Government feels, however, that China has a clear responsibility to the other United Nations to eliminate armed conflict within its territory as constituting a threat to world stability and peace—a responsibility which is shared by the National Government and all Chinese political and military groups. It is to assist the Chinese in the discharge of this responsibility that the U. S. Government is willing to participate and to request U. K. and U. S. S. R. participation in arranging the necessary pledges to assure the prompt cessation of such armed conflict.

~~So long As the Chinese National Government of the Republic of~~ China moves towards peace and unity along the lines described above, the U. S. is prepared to assist the National Government ~~it~~ in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and establish a military organization capable of discharging ~~Chinese~~ China's national and international responsibilities for the maintenance of peace and order. Specifically, the U. S. is prepared to ~~establish~~ grant a Chinese request for an American military advisory group in China, to dispatch such other advisors in the economic and financial fields as the Chinese Government might ~~need~~ require and which this Government can supply, and to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which contribute towards the development of a healthy economy in China and healthy trade relations between China and the U. S.

It must be clearly recognized that the attainment of the objectives herein stated will ~~require~~ call for an expenditure of resources by the U. S. and the maintenance for the time being of United States military and naval forces in China. These expenditures, however, will be minute in comparison to those which this nation has already been compelled to make in the restoration of the peace which was broken by German and Japanese aggression. This will be infinitesimal by comparison to a recurrence of global warfare in which the new and terrible weapons that now exist would certainly be employed. The purpose for which the United States made a tremendous sacrifice of treasure and life must not be jeopardized.

121.893/12-3145

*Memorandum by Lieutenant General John E. Hull, War Department  
General Staff, to General Marshall*

[WASHINGTON,] December 8, 1945.

MR. BYRNES' PROPOSED DRAFT <sup>17</sup> OF U. S. POLICY TOWARDS CHINA  
GENERAL MARSHALL:

1. The paragraph inserted by the State Department on the bottom of Page 3 <sup>18</sup> should be deleted in its entirety for reasons which include the following:

*a.* If the State Department objectives include Chinese unity, it should be realized that:

(1) There is grave doubt that the situation in Manchuria will await the outcome of Chinese internal negotiations.

(2) It appears certain more Chinese forces are needed to be transported in the near future in order to take over all of Manchuria.

*b.* The ability of the U. S. to assist in transporting troops diminishes as time passes and hence, it is to the advantage of the Communists to delay cessation of hostilities and also delay "provisional agreement" in any conference.

*c.* Some movement of Chinese forces appears necessary in connection with the repatriation of Japanese.

*d.* If any aid in the form of repatriation of Japanese and transportation of Chinese is to be given, then operational arrangements must go forward now. The paragraph, as written, places the onus on the military rather than on the State Department to determine when the introduction of National Government troops "would prejudice the objectives of a military truce and the political negotiations".

The objectionable paragraph puts a basic contradiction in the policy which stands out clearly when the sentence promising transportation to the Chinese troops (immediately preceding the paragraph) is read in conjunction with the paragraph. The solution would appear to be to initiate steps consistent with the policy in the remainder of the paper to transport armies and repatriate Japs and then control the application of this aid in such a way as to act as a lever on both the Generalissimo and the Communist leaders. If the State Department desires to retain the paragraph, then the policy should receive major revision throughout to state with honesty that the U. S. is attempting a "wait and see" program and also to recognize that U. S. ability to assist in repatriation of Japanese and securing of liberated areas for China will certainly diminish while the "waiting" is going forward.

<sup>17</sup> *Supra.*

<sup>18</sup> See paragraph beginning: "To facilitate arrangement", p. 756.



2. An editorial change which you suggested in the middle of Page 3 is marked thereon.

3. In the second line of Page 5, the word "concurrently"<sup>19</sup> should be retained in the sentence. With the deletion of the word, the State Department is, in effect, blessing the existence of autonomous armies in China probably for some years, since the development of a "broadly representative government" in a country which has never had an election is going to take time. It may, in fact, be necessary to achieve the elimination of the autonomous armies before a "broadly representative government" can be brought into existence.

4. The remaining changes in the paper can be accepted although several of them weaken the policy.

5. It seems essential that before you leave for China, a firm and unequivocal policy be published. Otherwise, you, the JCS<sup>20</sup> and the War and Navy Departments may continue to be hamstrung by the ~~vague, indecisive, delaying~~ tactics which have characterized U. S. policy toward China since Japanese capitulation.

J[OHN] E. H[ULL]

893.00/12-945

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] December 9, 1945.

MR. SECRETARY: There is attached a draft of a memorandum for the War Department.<sup>21</sup> I believe that by quoting the first three paragraphs of your statement before the Senate Foreign Relations Committee<sup>22</sup> we point up in the best way possible General Marshall's mission to China.

As you stated yesterday, the question arises as to what we shall do in the event General Marshall is unable to bring about a conference by Chinese leaders and a cessation of hostilities. My own suggestion is that:

(1) If the failure to achieve these ends is clearly due to the refusal of the Communists to cooperate we should proceed to assist the Chinese in transporting troops to north China. This will not be a satisfactory solution because it will not prevent civil war. It will simply enable Chiang to do what the Japanese have done for the last 8 years, that is, control the main urban centers and the lines of communication. With 300,000 troops, the Japanese were unable to eliminate the indigen-ous so-called Chinese Communist troops and guerrillas from north China.

<sup>19</sup> Overlined preceding sentence beginning: "With the institution of" on p. 756.

<sup>20</sup> Joint Chiefs of Staff.

<sup>21</sup> *Infra*.

<sup>22</sup> December 7, 1945, Department of State *Bulletin*, December 9, 1945, p. 930.

(2) If the failure to achieve these ends is due to the stubbornness of Chiang Kai-shek, it is suggested that we proceed as rapidly as possible with the evacuation of Japanese troops from north China. This course of action will necessitate arrangements with the Chinese Communist troops. It will result in Chinese Communist troops occupying lines of communication from which the Japanese are withdrawn. I understand that Under Secretary Gates of the Navy and Captain Dennison, who recently discussed the matter in Peiping with our Marine Commander, believe that it is feasible to undertake an operation of this kind.

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893.00/12-945

*Memorandum by the Secretary of State*<sup>23</sup>

[WASHINGTON,] December 9, 1945.

MEMORANDUM FOR THE WAR DEPARTMENT

The President and the Secretary of State are both anxious that the unification of China by peaceful, democratic methods be achieved as soon as possible.

At a public hearing before the Foreign Relations Committee of the Senate on December 7, the Secretary of State said:

“During the war the immediate goal of the United States in China was to promote a military union of the several political factions in order to bring their combined power to bear upon our common enemy, Japan. Our longer-range goal, then as now, and a goal of at least equal importance, is the development of a strong, united, and democratic China.

“To achieve this longer-range goal, it is essential that the Central Government of China as well as the various dissident elements approach the settlement of their differences with a genuine willingness to compromise. We believe, as we have long believed and consistently demonstrated, that the government of Generalissimo Chiang Kai-shek affords the most satisfactory base for a developing democracy. But we also believe that it must be broadened to include the representatives of those large and well-organized groups who are now without any voice in the government of China.

“This problem is not an easy one. It requires tact and discretion, patience and restraint. It will not be solved by slogans. Its solution depends primarily upon the good will of the Chinese leaders them-

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<sup>23</sup> Apparently draft, prepared by the Director of the Office of Far Eastern Affairs (Vincent), of a proposed letter from the Secretary of State to the Secretary of War, setting forth the desires of the Department of State with respect to new directives to General Wedemeyer; apparently drafts submitted concurrently to President Truman on the one hand for approval substantively and on the other to the War Department General Staff primarily for informational purposes.

selves. To the extent that our influence is a factor, success will depend upon our capacity to exercise that influence in the light of shifting conditions in such a way as to encourage concessions by the Central Government, by the so-called Communists, and by the other factions."

The President has asked General Marshall to go to China as his Special Representative for the purpose of bringing to bear in an appropriate and practicable manner the influence of the United States for the achievement of the ends set forth above. Specifically, General Marshall will endeavor to influence the Chinese Government to call a national conference of representatives of the major political elements to bring about the unification of China and, concurrently, effect a cessation of hostilities, particularly in north China.

In response to General Wedemeyer's recent messages, the State Department requests the War Department to arrange for directions to him stipulating that:

(1) He may put into effect the arrangements to assist the Chinese National Government in transporting Chinese troops to Manchurian ports, including the logistical support of such troops;

(2) He may also proceed to put into effect the stepped-up arrangements for the evacuation of Japanese troops from the China Theater;

(3) Pending the outcome of General Marshall's discussions with Chinese leaders in Chungking for the purpose of arranging a national conference of representatives of the major political elements and for a cessation of hostilities, further transportation of Chinese troops to north China, except as north China ports may be necessary for the movement of troops and supplies into Manchuria, will be held in abeyance;

(4) Arrangements for transportation of Chinese troops into north China may be immediately perfected, but not communicated to the Chinese Government. Such arrangements will be executed when General Marshall determines either (a) that the movement of Chinese troops to north China can be carried out consistently with his negotiations, or (b) that the negotiations between the Chinese groups have failed or show no prospect of success and that the circumstances are such as to make the movement necessary to effectuate the surrender terms and to secure the long-term interests of the United States in the maintenance of international peace.

J[AMES] F. B[YRNES]

121.893/12-3145

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*Memorandum of Conversation, by Lieutenant General John E. Hull,  
War Department General Staff*

[WASHINGTON,] 10 December 1945.

On Sunday, 9 December 1945, General Hull attended a conference at the State Department at which were present Secretary of State

Byrnes, Undersecretary of State Acheson,<sup>24</sup> Mr. Vinson,<sup>25</sup> and General Marshall.

The subject under discussion was the U. S. policy as regards China.

Mr. Byrnes stated his views that a strong unified China was essential to the interests of the United States; that it was necessary to bring the Chinese Communist elements, other dissident elements and the National Government of China into a unified government; that if this were not done, we could expect Russia to ultimately take control of Manchuria and maintain a dominant influence in North China. His view was that there was no other step the Russians could be expected to take if China could not, itself, control Manchuria.

The Secretary of State stated that he felt it necessary that General Marshall proceed to China with sufficient weapons in his hands to induce the Central Government and the Communistic Government to get together. Mr. Byrnes felt that the movement of Chinese forces into Manchuria to take over control of that area was necessary in order to stabilize the area, and that General Wedemeyer should be advised to proceed to accomplish this by moving additional National Government forces into Manchurian ports including logistical support for them. Arrangements should go forward to move additional forces as needed into North China in order that the Japanese can be removed from that area and stability established. This latter movement, however, should await negotiations by General Marshall with the Central Government and the Communist Government.

When asked by General Marshall the question—What if the Communist Government agrees to concessions which would appear to be acceptable, while the Central Government refuses to give ground?—Secretary Byrnes stated that in this case the Central Government would be informed that the assistance which we could otherwise give to China would not be given, such as loans, supplies, military and civilian, establishment of military advisory group, etc.; that we would be forced to deal directly with the Communists in so far as the evacuation of Japanese from North China was concerned. General Marshall laid considerable stress on the importance of not leaving Japanese in China and although China had always been able to absorb races and invaders in the past, a large number of Japanese left in China might not be absorbed in positions of responsibility. To this Secretary of State Byrnes agreed.

In answer to the question posed by General Marshall as to what action would be taken if the Communist Government failed to grant concessions while the Central Government conceded what appeared

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<sup>24</sup> Dean Acheson.

<sup>25</sup> John Carter Vincent.

to be necessary to meet the views of this Government, Secretary Byrnes stated that in such case our full support would be given the Nationalistic Government and we would move her armies into North China as required.

A public announcement <sup>26</sup> to be submitted to the President was gone over at the conference and agreed to; a copy of this will be furnished the War Department.

The draft of a letter from the Secretary of State to the Secretary of War <sup>27</sup> setting forth the desires of the State Department with respect to new directives to General Wedemeyer was gone over in the conference and General Hull brought a copy of the unsigned letter to the War Department for use of the Planners. The letter will be transmitted to the Secretary of War as soon as it is put in final form, and although some editing may take place, General Hull was informed that no change would be made in the sense of the letter as drafted.

J[OHN] E. H[ULL]

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121.893/12-1045

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] December 10, 1945.

MR. BYRNES: I do not know exactly what is expected in the way of a "directive" for General Marshall. That point may have become clear this afternoon in your conversation with the President and the White House may itself be preparing a directive. However, I attach herewith a draft of a letter which the President might wish to give General Marshall. I have not gone into great detail and I do not think in the case of a man of General Marshall's calibre it is advisable to do so. Neither have I outlined courses of action in the event of failure to bring about unification of the various political groups. I consider it unwise to anticipate defeat of the major objective of the mission in a letter from the President and also unwise to try to fix courses of action at this time on the basis of hypothetical developments. Therefore, I think it best to await reports from General Marshall before we endeavor to determine the alternative courses in the event of failure to achieve the principal objective.

J[OHN] C[ARTER] V[INCENT]

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<sup>26</sup> Apparently the Department of State's draft statement on U.S. Policy Towards China, p. 754.

<sup>27</sup> See memorandum by the Secretary of State on December 9, *supra*.

121.893/12-3145

*Draft of Letter from President Truman to General Marshall*<sup>25</sup>

MY DEAR GENERAL MARSHALL: On the eve of your departure for China I want to repeat to you my appreciation of your willingness to undertake this difficult mission.

I have the utmost confidence in your intelligence and judgment [ability to] handling[e] the task before you but, to guide you in so far as you may find it helpful, I will give you some of the thoughts, ideas, and objectives which Secretary Byrnes and I have in mind with regard to your mission.

I attach several documents which I realize you have seen but which I desire should be considered as part of this letter. One is a statement of U. S. policy towards China which was, I understand, prepared in the War Department and modified and amplified to some extent in the State Department as shown on the face of the document [after consultation with you and with officials of the War Department.<sup>29</sup>] Another [The second] is a memorandum from the Secretary of State to the War Department<sup>30</sup> in regard to China. And the third is a copy of my [press] release of . . . . on policy in China.<sup>31</sup> [I understand these documents have been shown to you and received your approval.]

The fact that I have asked you to go to China is the clearest evidence of my very real concern with regard to the situation there. Secretary Byrnes and I are both anxious that the unification of China by peaceful democratic methods be achieved as soon as possible. It is my desire that you, as my Special Representative, bring to bear in an appropriate and practicable manner the influence of the United States to this end. Specifically, I desire that you endeavor to persuade the Chinese Government to call a national conference of representatives of the major political elements to bring about the unification of China and, concurrently, to effect a cessation of hostilities, particularly in north China. It is my understanding that there is now in session in Chungking a Peoples' Consultative Council made up of representatives of the various political elements, including the Chinese Communists. The meeting of this Council should furnish you with a

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<sup>28</sup> Apparently drafted by John Carter Vincent. Deletions indicated by overlining and substitutions in brackets, presumably made by the Secretary of State.

<sup>29</sup> For text, see p. 754; this was amended on December 9 at the conference described in the memorandum of December 10, p. 761.

<sup>30</sup> Dated December 9, p. 760.

<sup>31</sup> Released December 15, p. 770.

convenient opportunity for discussions with the various political leaders.

Upon the success of your efforts, as outlined above, will depend largely, of course, the success of our plans for evacuating Japanese troops from China, particularly north China, and for the subsequent withdrawal of our own armed forces from China. I am particularly desirous that both be accomplished as soon as possible.

In your conversations with Chiang Kai-shek and other Chinese leaders you are authorized to speak with the utmost frankness. Particularly, you may state, in connection with the Chinese desire for credits, technical assistance in the economic field, and military assistance (I have in mind the proposed U. S. military advisory group which I have approved ~~but only~~ in principle), that a China disunited and torn by civil strife could not be considered realistically as a proper place for American ~~investments~~ [assistance] along the lines enumerated.

I am in complete accord with the statements made by Secretary Byrnes before the Foreign Relations Committee of the Senate on December 7 in regard to unification of China. The pertinent paragraphs are quoted in the attached memorandum for the War Department. As Secretary Byrnes states, "This problem is not an easy one." But we must succeed in bringing about a peaceful unification of China. The alternatives seem to me clearly to be disunity or prolonged civil war, neither of which would be in our interests or in the interests of international peace.

I am anxious that you keep Secretary Byrnes and me currently informed of the progress of your negotiations and of obstacles you may encounter. You [will] have our fullest [full] support and we shall endeavor at all times to be as helpful to you as possible.

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893.00/12-945

*Memorandum by the Secretary of State to the Director of the Office of Far Eastern Affairs (Vincent)*

[WASHINGTON, December 10, 1945.]

MR. VINCENT: The President has approved the statements given to me.<sup>32</sup> I have told him to hold them and unless he hears from me to the contrary to use them. If Marshall makes any suggested changes such changes must be communicated to the President.

The President also approved our memorandum to the War Department.

J[AMES] F. B[YRNES]

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<sup>32</sup> See memorandum of December 10, p. 763.

121.893/12-1045

*Memorandum by General Marshall to the Secretary of State*

WASHINGTON, December 10, 1945.

MY DEAR MR. SECRETARY: I have just returned a few minutes ago from my hearings on the Hill and have to be back for the resumption of hearings at two o'clock, therefore this is a very hurried communication.

I have just had brought to my attention a memorandum to you of December 10 from Mr. Vincent<sup>33</sup> enclosing a re-draft of a portion of the policy towards China in order to shorten it. While I have only had a hurried opportunity to read the re-draft I am sending this note to ask you please not to come to any decision in the matter until I have an opportunity to discuss it with you.

From my superficial examination, I feel that the re-draft not only shortens the original paper too much, but weakens its statements very seriously and in places changes the meaning.

Faithfully yours,

G. C. MARSHALL

124.936/12-1045 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 10, 1945—6 p. m.

1966. Dept desires that Embassy extract from files and have ready for General Marshall's perusal on his arrival in Chungking telegrams, reports and other documents relating to various recent important political, economic and military developments and that Embassy prepare a statement of current problems that need to be taken up with the Chinese authorities.

BYRNES

121.893/12-1045

*Memorandum by the Secretary of State to President Truman*

WASHINGTON, December 11, 1945.

There is attached the draft of a proposed letter to General Marshall for your signature.<sup>34</sup> General Marshall, it is understood, desires something in the form of a directive from you before his departure and

<sup>33</sup> Not printed.<sup>34</sup> For draft by Mr. Vincent revised by Mr. Byrnes on December 10, see p. 764; for text signed December 15 by President Truman, see p. 770. The enclosure was the revised draft of Mr. Byrnes; this the President signed.



the attached letter has been prepared in the Department of State with the thought of meeting General Marshall's desire.

JAMES F. BYRNES

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121.893/12-3145

*Memorandum of Conversation, by General Marshall*

NOTES ON A MEETING OF GENERAL MARSHALL WITH THE PRESIDENT, MR. BYRNES, AND ADMIRAL LEAHY AT 3:30 P. M., TUESDAY, DECEMBER 11, 1945

The President took up the question of our policy with China, the announcement he might make, the immediate instructions for the U.S. Chiefs of Staff regarding Wedemeyer's requirements as to shipping, etc.

The President stated that he wished to have a clear and complete understanding among us as to just what was the basis on which I was to operate in China in representing him. Mr. Byrnes outlined the policy of this Government as he understood it and advocated it. In effect he stated this, that first of all we, that is the Army and Navy, were being authorized to proceed at once with the arrangement of shipping for the transfer of the armies of the Generalissimo to Manchuria and for their logistical support; also for the evacuation of Japanese from China; and finally, though this was to be maintained in a status of secrecy, for the present, for the transfer of the Generalissimo's troops into North China for the purpose, on our part, of releasing the Japanese forces in that area and facilitating their evacuation and deportation to Japan.

Mr. Byrnes stated that the reason for holding secret for the present the preparations for the movement of the Generalissimo's troops into North China was to enable General Marshall to utilize that uncertainty for the purpose of bringing influence to bear both on the Generalissimo and the Communist leaders towards concluding a successful negotiation for the termination of hostilities and the development of a broad unified Chinese government.

The President stated his concurrence with the proposition outlined by Mr. Byrnes and informed General Marshall that he would back him in his, General Marshall's, efforts whatever they might be to bring about the desired result.

General Marshall stated that his understanding then was that he would do his best to influence the Generalissimo to make reasonable concessions in his negotiations with the democratic and communist leaders, holding in abeyance the information that this Government was actually preparing shipping to assist the Generalissimo in moving

his troops into North China for the purpose of releasing the Japanese in that region and, incidentally, taking over control of the railroads. That, on the other hand, he, General Marshall, was to utilize the same uncertainty as to the attitude of our Government toward the establishment of the Generalissimo's troops in North China in the effort to bring the Communist leaders to the point of making reasonable concessions in order to bring about desirable political unification. That in the event that the Communist leaders refused to make what, in General Marshall's opinion, were reasonable concessions, he was authorized to back the Generalissimo by assisting in the movement of troops into the region for the U. S. purpose of removing the Japanese.

Finally, General Marshall stated, that if the Generalissimo, in his (General Marshall's) opinion, failed to make reasonable concessions, and this resulted in the breakdown of the efforts to secure a political unification, and the U. S. abandoned continued support of the Generalissimo, there would follow the tragic consequences of a divided China and of a probable Russian reassumption of power in Manchuria, the combined effect of this resulting in the defeat or loss of the major purpose of our war in the Pacific. Under these circumstances, General Marshall inquired whether or not it was intended for him, in that unfortunate eventuality, to go ahead and assist the Generalissimo in the movement of troops into North China. This would mean that this Government would have to swallow its pride and much of its policy in doing so.

The President and Mr. Byrnes concurred in this view of the matter; that is, that we would have to back the Generalissimo to the extent of assisting him to move troops into North China in order that the evacuation of the Japanese might be completed.

There was some discussion and Mr. Byrnes re-stated the policy of this Government adding specifically that it was not the purpose of the U. S. to send additional troops, divisions—he mentioned, to China, that he was opposed to that and that it would be contrary to the expressions of policy he had made public up to this time. The President agreed with this point of view of the Secretary of State.

The President approved the paper from the State Department containing the draft for a release to the press regarding our policy in China. This draft was in accord with the agreements reached on the previous Sunday morning at the State Department by the Secretary of State, General Marshall, General Hull, the Under Secretary of State and Mr. John Carter Vincent.

The President stated that he had given formal approval to the memorandum from the State Department to the War Department stating the immediate terms under which General Wedemeyer and the Army

and Navy could proceed for the organization of shipping to transport Chinese and Japanese troops. The President also stated that he had approved the proposals of the previous day, Monday, from the Chiefs of Staff regarding the same matter.

The Secretary stated that he was having a draft of a letter prepared for the President to General Marshall formally stating these various policies. The draft was not then available.

It was also stated at this meeting, either by the President or the Secretary of State that General Marshall would have the authority in dealing with the Generalissimo to indicate the assistance this government would give in economic, financial, and similar matters.

G. C. MARSHALL

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S93.00/12-1245

*Memorandum by the Deputy Director of the Office of Far Eastern Affairs (Penfield)*<sup>35</sup>

[WASHINGTON,] December 12, 1945.

ISSUANCE OF STATEMENT ON U.S. POLICY TOWARDS CHINA

I suggest that the immediate publication of the approved statement of policy towards China would be advantageous, for the following reasons:

(1) The Chinese will have sensed the trend of our policy from the Secretary's statement of December 7.<sup>36</sup>

(2) The Political Consultative Council, including Communists and other major political elements, was scheduled to meet on December 10, to renew negotiations. Preliminary indications are that both sides intend to take these negotiations more seriously than previous talks. It is possible that in view of the December 7 statement they will try to arrive at some announceable compromise or agreement quickly, endeavoring to make such announcement before our policy statement is released.

(3) Should such an announcement precede release of our statement, the latter as now phrased could be interpreted as flogging a dead horse, and the U. S. could be criticized as having taken no stand in the matter, and then improvising a policy which simply approved a Chinese *fait accompli*.

The Chinese may not, of course, take any immediate action which might prejudice our release, but I believe that the possibility outweighs any likely advantage in further delay in making our stand public.

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<sup>35</sup> Addressed to the Under Secretary of State (Acheson) and the Assistant Secretary of State (Dunn).

<sup>36</sup> Department of State *Bulletin*, December 9, 1945, p. 930.

121.893/12-3145

*Memorandum of Conversation, by General Marshall*

## NOTES ON MEETING WITH THE PRESIDENT AND THE UNDER SECRETARY OF STATE AT 11:30 A. M., FRIDAY, DECEMBER 14, 1945

The President handed me a final draft of his letter of instructions together with the enclosures<sup>37</sup> and asked me if these were satisfactory to me. I replied in the affirmative. The President stated that if I desired a directive from him in any other form for me to prepare it and he would sign it, that he wished to back me in every way possible.

I stated that my understanding of one phase of my directive was not in writing but I thought I had a clear understanding of his desires in the matter, which was that in the event that I was unable to secure the necessary action by the Generalissimo, which I thought reasonable and desirable, it would still be necessary for the U. S. Government, through me, to continue to back the National Government of the Republic of China—through the Generalissimo within the terms of the announced policy of the U.S. Government.

The President stated that the foregoing was a correct summation of his direction regarding that possible development of the situation.

The Under Secretary of State, Mr. Acheson, confirmed this as his understanding of my directions.

The President repeated his assurances that the U.S. Government, that he would back me in my decisions, that he had confidence in my judgment.

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Marshall Mission Files, Lot 54-D270

*President Truman to General Marshall*<sup>38</sup>

[WASHINGTON, December 15, 1945.]

## U. S. POLICY TOWARDS CHINA

The Government of the U. S. holds that peace and prosperity of the world in this new and unexplored era ahead depend upon the ability of the sovereign nations to combine for collective security in the United Nations organization.

It is the firm belief of this Government that a strong, united and democratic China is of the utmost importance to the success of this United Nations organization and for world peace. A China, dis-

<sup>37</sup> See Department of State, *United States Relations With China*, pp. 605-609.

<sup>38</sup> Transmitted as an enclosure to President Truman's letter of December 15; for latter, see Department of State, *United States Relations With China*, p. 605. For text of statement of policy, with omissions, made public by President Truman, see *ibid.*, p. 607, or Department of State *Bulletin*, December 16, 1945, p. 945.

organized and divided either by foreign aggression, such as that undertaken by the Japanese, or by violent internal strife is an undermining influence to world stability and peace, now and in the future. The U. S. Government has long subscribed to the principle that the management of internal affairs is the responsibility of the peoples of the sovereign nations. Events of this century, however, would indicate that a breach of peace anywhere in the world threatens the peace of the entire world. It is thus in the most vital interest of the U. S. and all the United Nations that the people of China overlook no opportunity to adjust their internal differences promptly by methods of peaceful negotiation.

The Government of the U. S. believes it essential:

(1) That a cessation of hostilities be arranged between the armies of the National Government and the Chinese Communists and other dissident Chinese armed forces for the purpose of completing the return of all China to effective Chinese control, including the immediate evacuation of the Japanese forces. The U. S. is prepared, if so requested by the National Government of China, to assist in arranging for necessary pledges and to request the Governments of the U. K. and the U. S. S. R. to join in this effort.

(2) That a national conference of representatives of major political elements be arranged to develop an early solution to the present internal strife which will bring about the unification of China.

The U. S. and the other United Nations have recognized the present National Government of the Republic of China as the only legal government in China. It is the proper instrument to achieve the objective of a unified China.

The U. S. and the U. K. by the Cairo Declaration in 1943 and the U. S. S. R. by adhering to the Potsdam Declaration of last July and by the Sino-Soviet Treaty and Agreements of August 1945, are all committed to the liberation of China, including the return of Manchuria to Chinese control. These agreements were made with the National Government of the Republic of China.

In continuation of the constant and close collaboration with the National Government of the Republic of China in the prosecution of this war, in consonance with the Potsdam Declaration, and to remove possibility of Japanese influence remaining in China, the U. S. has assumed a definite obligation in the disarmament and evacuation of the Japanese troops. Accordingly the U. S. has been assisting and will continue to assist the National Government of the Republic of China in effecting the disarmament and evacuation of Japanese troops in the liberated areas. The U. S. Marines are in north China for that purpose. For the same reason the U. S. will continue to furnish military supplies and to assist the Chinese National Government in

the further transportation of Chinese troops so that it can re-establish control over the liberated areas of China, including Manchuria.

To facilitate arrangement for cessation of hostilities and pending provisional agreement in the proposed national conference, National Government troops will not be transported by the U. S. into areas, such as north China, when their introduction would prejudice the objectives of the military truce and the political negotiations.

The U. S. recognizes and will continue to recognize the National Government of China and cooperate with it in international affairs and specifically in eliminating Japanese influence in China. The U. S. is convinced that a prompt arrangement for a cessation of hostilities is essential to the effective achievement of this end. Incidental effects of U. S. assistance upon any dissident Chinese elements will be avoided in so far as possible. Beyond these incidental effects, U. S. support will not extend to U. S. military intervention to influence the course of any Chinese internal strife.

The U.S. is cognizant that the present National Government of China is a "one-party government" and believes that peace, unity and democratic reform in China will be furthered if the basis of this Government is broadened to include other political elements in the country. Hence, the U.S. strongly advocated that the national conference of representatives of major political elements in the country agree upon arrangements which would give those elements a fair and effective representation in the Chinese National Government. It is recognized that this would require modification of the one-party "political tutelage" established as an interim arrangement in the progress of the nation towards democracy by the father of the Chinese Republic, Doctor Sun Yat-sen.

The existence of autonomous armies such as that of the Communist army is inconsistent with, and actually makes impossible, political unity in China. With the institution of a broadly representative government, autonomous armies should be eliminated as such and all armed forces in China integrated effectively into the Chinese National Army.

In line with its often expressed views regarding self-determination, the U.S. Government considers that the detailed steps necessary to the achievement of political unity in China must be worked out by the Chinese themselves and that intervention by any foreign government in these matters would be inappropriate. The U.S. Government feels, however, that China has a clear responsibility to the other United Nations to eliminate armed conflict within its territory as constituting a threat to world stability and peace—a responsibility which is shared by the National Government and all Chinese political and military groups. It is to assist the Chinese in the discharge of this responsibility that the U.S. Government is willing to participate and to re-

quest U.K. and U.S.S.R. participation in arranging the necessary pledges to assure the prompt cessation of such armed conflict.

As China moves towards peace and unity along the lines described above, the U.S. would be prepared to assist the National Government in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and establish a military organization capable of discharging China's national and international responsibilities for the maintenance of peace and order. Specifically, the U.S. would be prepared to grant a Chinese request for an American military advisory group in China, to dispatch such other advisors in the economic and financial fields as the Chinese Government might require and which this Government can supply, and to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which contribute towards the development of a healthy economy in China and healthy trade relations between China and the U.S.

It must be clearly recognized that the attainment of the objectives herein stated will call for an expenditure of resources by the U.S. and the maintenance for the time being of United States military and naval forces in China. These expenditures, however, will be minute in comparison to those which this nation has already been compelled to make in the restoration of the peace which was broken by German and Japanese aggression. They will be infinitesimal by comparison to a recurrence of global warfare in which the new and terrible weapons that now exist would certainly be employed. The purpose for which the United States made a tremendous sacrifice of treasure and life must not be jeopardized.

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740.00119 Council/12-1345 : Telegram

*President Truman to General Marshall*

WASHINGTON, December 15, 1945.

GENERAL MARSHALL: On your departure for China I wish to send you this last word of encouragement and appreciation. I believe that the development of a strong, united and democratic China is essential. The alternatives seem to me clearly to be disunity or prolonged civil war, neither of which would be in our interests nor in the interests of international peace. I know that the problems involved are not easy ones but I am confident that you will be able to solve them with complete success.

You carry with you as you enter upon the task ahead of you my full support and complete confidence.

HARRY S. TRUMAN

Marshall Mission Files, Lot 54-D270

*Memorandum by Mr. James R. Shepley*<sup>39</sup> to General Marshall

[En route to NANKING,]  
19 December 1945.

GENERAL MARSHALL: On the basis of information to date, Colonel Byroade<sup>40</sup> and I have attempted to arrive at a preliminary estimate of the political situation in China. It is by no means firm, and we hope to find someone on the scene who is more obviously familiar with the more subtle details than any of the information so far.

Even prior to the Japanese invasion of China proper, Chiang had been moving publicly toward the convocation of a National Assembly to adopt a constitution for China. He had reached the point of selecting delegations for such an assembly and preparing a proposed draft constitution for its consideration. Neither the manner in which these delegates were selected nor the draft constitution were acceptable to any of the dissident elements in China and on the face of it the moral right seemed to lie with the dissident elements since Chiang's selection of framers would have meant a constitution written by Kuomintang. The constitution he proposed provided nothing more than what might charitably be called a constitutional dictatorship. Throughout the war, the Chinese political factions have been referring to the pros and cons of the constitutional argument.

On December 31 last, in a New Year's speech, Chiang proposed the convening of this National Assembly to adopt a constitution this year and on the 8th of January the Kuomintang standing committee decided to call a party conference on May 6 to discuss the establishment of constitutional government in China.

On the 24th of January Mao Tse-tung's deputy, Chou En-lai came to Chungking, as a result of Mr. Hurley's efforts to bring about a *rapprochement*, and proposed an all-party conference to institute immediately a coalition interim government to run China until the constitution might be set up. This brought the retort from Chiang that no sooner had one Communist demand been met than a fresh one was raised, and on 1 March he announced that the Kuomintang was unwilling to relinquish power of final decision until a National Assembly had been convened to write a constitution and that this assembly would meet on the 12th of November.

On 20 March the Democratic League headed by Chang Lan, which is one of the most influential dissident groups, announced that it would refuse to participate in the National Assembly which would

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<sup>39</sup> Member of the Marshall Mission, designated as Attaché to the Embassy in China.

<sup>40</sup> Col. Henry A. Byroade, member of the Marshall Mission.



convene on 12 November and a few days later the Communists stated their refusal. There followed a series of exchanges back and forth on this line; the Kuomintang arranged a People's Political Council in July. The Chinese Communists refused to attend it, even after six of the members had flown to Yen-an on 2 July in an unsuccessful attempt to persuade Mao to send representatives. Chiang addressed this council on its opening date on 7 July reaffirming his intention to inaugurate constitutional government and stated that the government would make no further decision regarding the National Assembly without consulting the People's Political Council. On 20 July the council broke up, resolving to leave the date of the National Assembly which the dissident elements were refusing to attend to the government, and stated that such an assembly would be unrepresentative so long as these dissident elements boycotted it.

Then came the end of the war and a series of bickering back and forth on who would accept Japanese surrenders. Chiang invited Mao Tse-tung to come to Chungking to discuss the situation and Mao made no reply. Mao's military commander, Chu Teh, however, made a statement demanding that the Communists be permitted to accept the surrender of the Japanese forces in North China and to participate in the peace conference. Chiang refused these demands and made a second invitation to Mao to come to Chungking. Mao replied this time that he would send Chou En-lai as a representative. In the middle of this, the Democratic League on August 18 issued a program calling for the selection of representatives to the National Constitutional Assembly under new election laws so as to give all factions representation. On August 25, the Communists announced another program repeating their demand to receive Japanese surrender, for the establishment of a coalition government and for the free election of the National Assembly.

The day that the Moscow radio announced the termination [*conclusion?*] of the Sino-Soviet treaty, Mao apparently was shaken because he announced that he would go to Chungking in person. He has never done so, apparently having changed his mind since.

The political and military situation then progressively worsened into armed action in North China until on 15 October it was announced that the government and the Communists' conversations resumed to deal with:

1. The convening of a National Assembly.
2. The formation of a Political Consultative Council.
3. The situation in North China.

On the 25th of October K. C. Wu, the Minister of Information, announced that the government and the Communists had agreed on

the membership of the Political Consultative Council. On the 3rd of November the government proposed to the Communists a cessation of hostilities in North China and the maintenance of the *status quo* while the Peoples Political Council considered their differences. On the 10th of November the Communists agreed to the desirability of cessation of hostilities, but called on the government to withdraw its troops to positions held at the outbreak. On 12 November, the government announced unilaterally that it would convene the National Constitutional Assembly on the 5th of May.

Since your appointment, the plans for the Political Consultative Council have proceeded in a more conciliatory manner. Last week the Communists' representatives arrived in Chungking and, according to newspaper reports of the last few days, it would appear that the reaction both in government and Communist quarters to Mr. Truman's public statement has been reasonably hopeful and that the Political Consultative Council begins its deliberations in a better atmosphere than has existed heretofore.

It would seem from this series of events that the major political considerations in China are at the moment fourfold:

The Communists and the other dissident elements desire an interim government of China while a permanent constitutional basis is established. At the same time, the Communists insist upon retaining their autonomous Armies and autonomous governmental control.

The government opposes an interim government and insists upon the dissolution of the autonomous Communist Armies.

All sides concur on the desirability of a cessation of hostilities, but cannot mesh on the specific terms of a truce.

All sides agree to the establishment of a constitutional government of China. The government on one hand and the dissident elements on the other hand are in disagreement on how the framers of this constitution shall be selected. It would seem, therefore, that the bargaining power you hold might be used to bring about a political settlement along the following lines:

1. The establishment of an interim government of China in which Chiang would concede a reasonable amount of power to the dissident factions. This might reasonably even go as far as the appointment of Mao Tse-tung or someone of his choice as a deputy to Chiang or possibly the position as head of the Executive Yuan now held by Premier Soong. This would be a considerable step by Chiang, but on the other hand he continues to remain top man in China, not only of Nationalist China, but all of China.

2. In exchange the Communists should surrender their Eighth and Fourth Route Armies to bona fide control of the Central Government and also relinquish the government of Communist North China to the interim coalition government. This is certainly not too much to ex-

pect from the Communists if Chiang gives them a voice in a coalition government.

3. Under the interim coalition government, an immediate cessation of hostilities should be effected, in which the coalition government proceeds with American support to eradicate Japanese influence from China, the repatriation of Japanese troops and civilians, and also proceeds to make firm Chinese sovereignty in the liberated areas. The interim coalition government would then be in a position to move with strong American support to begin to restore Chinese economy through the establishment of a transportation system, the reopening of cotton mills, the establishment of currency control and the other benefits of the American help which you are prepared to give.

4. At the same time, while this interim coalition government is thus making concrete progress to unify China, militarily and economically, the various political factions would proceed immediately to nominate representatives or to elect representatives to the proposed constitutional assembly for the promulgation of a permanent constitutional Republic of China. This assembly should certainly convene no later than two or three months from the date the coalition interim government is formed and should complete its deliberations with the adoption of a permanent constitution for China no later than three to six months from the time the assembly is composed. Upon the adoption of a constitution the interim government should immediately proceed to effect the establishment of a permanent constitutional government of China and turn control over to this government.

SHEPLEY

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Treasury Department Representative in China (Adler) and the Assistant Commercial Attaché in China (Walker) to the Chargé in China (Robertson)*

CHUNGKING, December 19, 1945.

MR. ROBERTSON: In response to your request, there are briefly summarized below the principal matters now pending in the work of the Economic Section of the Embassy:

*Surplus Property*

There are three categories of surplus property involved, Army property in West China, Army surplus property in East China, and Navy surplus property in the Pacific. The Army was very anxious to evacuate West China and, basing its decision on military necessity, it sold its property to the Chinese Government on November 29 at a price of US \$25 million, with a cash down payment of US \$5 million, payment for the rest to be made over 30 years at 2 $\frac{3}{8}$  percent interest. The landed cost of Army property in West China was approximately US \$130 million and after allowance for depreciation, etc., the write-down value was approximately US \$70 million.

The landed cost of Army property in East China has been estimated at US \$250 million. It will be disposed of by the Foreign Liquidation Commission which is under instructions not to sell property to the Chinese Government unless the Chinese Government agrees to pay for the surplus property it acquires with the U. S. dollars it receives from the settlement of obligations for CN dollar advances (see below). This provision was unfortunately not obtained in the agreement on Army property in West China.

The Navy has very large amounts of surplus property in the Pacific, more probably than China could absorb even if she did not have to pay for it. Arrangements have been made to fit disposal of Navy surplus property into the overall program for China. It is hoped that the Navy can sell UNRRA<sup>41</sup> some of its requirements for its China program, which would of course constitute a saving to the American taxpayer, who pays 70 percent of the cost of UNRRA.

#### *CN Dollar Advances to the U. S. Army in China*

The Army's activities in China are financed through the receipt of CN dollar advances from the Chinese Government, settlement for which is made by negotiations between the Treasury and the Ministry of Finance. The Chinese have already received US \$255 million for their CN \$ advances to the U. S. Army in China for February–December 1944, a settlement which was undoubtedly extremely generous to the Chinese. Negotiations have not yet commenced for our obligations for 1945. It is estimated by the Army Fiscal Officer that CN \$ advances for 1945 will total between CN \$125–150 billion. The higher figure includes approximately CN \$25 billion for food, board and lodging which in 1944 was provided by the Chinese Government as reciprocal aid, but on which it has reserved its position as far as 1945 is concerned. It is difficult to estimate what the final basis of settlement for this obligation will be. But it will probably involve a sum in the range of US \$150 million. State, Treasury and FLC are all interested in seeing that after we have sold China surplus property and after we have met our obligations for CN dollar advances to us, we are still not in debt to the Chinese Government. Hence their desire to obtain an offsetting arrangement on the disposal of surplus property.

#### *Exchange Rate*

The official exchange rate established by the Chinese Government in 1942 and not yet altered is 20 CN \$ to US \$1. This rate is utterly fantastic and bears no relation to the real value of the CN \$. The Chinese Government has implicitly admitted this by giving overseas Chinese remitting to their families in China CN \$499 for US \$1 and

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<sup>41</sup> United Nations Relief and Rehabilitation Administration.

by allowing American philanthropic, relief and educational associations to sell U. S. dollar drafts in the open market. American civilian Government agencies and American Army and civilian personnel finance their expenditures in China by the sale of U. S. currency on the open market without opposition from the Chinese authorities. The open market rate fluctuates very considerably, having been as high as CN dollars 3,000 in July and as low as 800 in September. It is now around 1350 in Chungking and around 1250 in Shanghai. While admittedly it is not a satisfactory measure of the value of the CN dollar, it is the best we have at the moment. It undoubtedly over-values CN and undervalues the U. S. dollar.

As long as China was isolated and had little or no foreign trade, the unrealistic level of the official rate of exchange was a heavy burden on foreign governments and foreigners operating in China and in the nature of a general nuisance. But now its maintenance even nominally is seriously retarding recovery of the Chinese economy by making impossible the resumption of foreign trade on normal lines. The Chinese Government will eventually have to adjust the exchange rate if it wishes export trade to resume. The position the Treasury is taking is that it should not take the initiative in suggesting to the Chinese Government a specific rate, because in the nature of the situation it is impossible to peg the rate at any fixed value until political and economic conditions in China become much more stable.

#### *Exchange Control*

The Chinese Government has developed a system of exchange control in cooperation with the U. S. and U. K. which again was relevant to an isolated country with little or no foreign trade. With the resumption of foreign trade, exchange control will become much more complicated and more difficult. The United States particularly is moving toward the relaxing of its own wartime controls. The latest U. S. measure of relaxation involving China was the issuance of U. S. Treasury General License 94 whereby all current transactions between the U. S. and a number of blocked countries, including China, are freed. The U. S. is interested first in insuring that the operations of Chinese exchange control will not interfere with the legitimate activities of American corporations and individuals in China excessively or in a discriminatory manner, and second in seeing that the Chinese exchange control is in accordance with the spirit of the Bretton Woods Agreement<sup>42</sup> and is adopted as a transitory and not as a permanent arrangement.

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<sup>42</sup> Articles of agreement between the United States and other powers regarding the International Monetary Fund, formulated at the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, July 1 to July 22, 1944, and signed at Washington, December 27, 1954, Department of State, Treaties and Other International Acts Series No. 1501, or 60 Stat. (pt. 2) 1401.

*Commercial Treaty*

The Treaty of January 11, 1943 between China and the United States in which the United States relinquished its rights of extraterritoriality<sup>43</sup> provided that within six months after the end of the war there would be negotiated a new Treaty of Friendship, Commerce and Navigation. Such a treaty is essential to provide the legal basis for the rights which all American nationals are to enjoy in China, and its ratification is urgently desired to establish the legal framework for developing the whole range of economic relationships between the two countries. On April 2, 1945 the Embassy transmitted to the Chinese Government a proposed draft<sup>44</sup> of this treaty which has since been under study in the various Ministries. On November 29 the Embassy was informed that the Chinese would be willing to commence negotiations on this treaty in mid-January.<sup>45</sup>

The provisions of the commercial treaty and the whole range of Chinese legislation (see below) assume new importance following abolition of extraterritoriality. Prior to the war, American business firms operating in China were under the jurisdiction of American law and of the United States Court of China. Henceforth, they will operate under Chinese law.

*Protection of U. S. Property Rights*

Since the end of the war the Embassy has received an increasing number of requests from American missionary organizations for assistance in securing the evacuation from their property of Chinese troops who have occupied it. The Embassy has promptly communicated each specific case of this kind to the Foreign Office which has taken the necessary action to bring about the evacuation of the property. Because of the number of these incidents it will probably be necessary to work out with the Chinese Government some means of ensuring American mission property against occupation by the military to replace the use of consular proclamations which the Chinese do not wish to continue now that extraterritoriality has been abolished.

A problem of temporary nature arose in Tientsin where Chinese officials claimed as war booty stocks and equipment in American-owned premises which had been occupied by the Japanese.<sup>46</sup> The Foreign Office has agreed that in cases where such stocks and equipment are similar to those used in the ordinary business of the firm at the time of occupation by the Japanese, they should not be regarded

<sup>43</sup> Department of State Treaty Series No. 984, or 57 Stat. (pt. 2) 767.

<sup>44</sup> See telegram No. 567, April 3, 2 p. m., from the Chargé in China, p. 1314.

<sup>45</sup> See telegram No. 2085, December 3, 1 p. m., from the Counselor of Embassy in China, p. 1326.

<sup>46</sup> For documentation on this subject, see pp. 1388 ff.

as war booty but be turned over to the American firm along with the premises. Differences of opinion concerning the local implementation of this understanding remain to be worked out.

In Shanghai the question of land titles has been raised by the promulgation of municipal regulations which, in certain respects, do not appear consistent with the treaty of January 11, 1943 between the United States and China abolishing extraterritoriality. The problem is a technical one which will require further study and discussion with the Chinese Government.

### *Company Law*

In June of this year the Chinese Government undertook revision of its Company Law and of the previously existing regulations governing registrations, i. e. authorization to do business in China, of foreign companies. On July 13, Dr. Sun Fo, President of the Legislative Yuan, forwarded a draft copy of the revised Company Law for comment from the American Government and business groups. This draft was forwarded to the Department of State for study there and by the Department of Commerce and representative business groups. Views of these Departments and business groups in turn have been transmitted to Dr. Sun Fo, and from this cooperation a number of mutually beneficial revisions in the provisions of the law have been accomplished.

Although approved by the Legislative Yuan on September 29 and then forwarded to the Executive Yuan for promulgation, the law is now being returned for further consideration by the Legislative Yuan, particularly because of representations made by the Embassy, under instructions, regarding certain of its provisions which the Department of State and American business groups regard as undesirable from the standpoint of Sino-American trade and investment relationships.

### *Other Pending Legislation*

The Legislative Yuan is now undertaking revision of the banking, insurance and mining laws, each of which will affect participation in its respective field by foreign enterprises. The Embassy has been requested by a number of the Committee drafting this legislation to make available texts of relevant American legislation.

### *Status of American Banks*

Prior to 1941 American banks in China were all located in international settlements and were therefore not subject to Chinese Government law or regulations. With the abolition of extraterritoriality they are now subject to Chinese banking law. Under the last law affecting foreign banks, foreign banks are not allowed to receive savings deposits, such loans as they make are tightly supervised, and the whole

spirit of the regulations is such as to make the normal functioning of banks extremely difficult. The Chinese Government has agreed to revise these regulations and to allow foreign banks to reopen without prejudice to the final position they take when the revised Chinese banking regulations are published. Accordingly, the National City and the Chase Banks reopened in Shanghai on December 10, but the business they are doing in the present situation is largely nominal. Pending the clarification of the exchange rate and of Chinese exchange control policy (with reference to foreign exchange accounts in banks, percentage of profits to be remitted home, etc.) and publication of China's banking regulations, the banks can obviously not undertake any new commitments. It is to the interest both of the United States and of China that American banks resume normal functioning as soon as possible.

#### *Loans and Investments*

The Chinese Government is now applying for a loan from the Export-Import Bank to the amount of US \$560,000,000. Our most recent information indicates, however, that this loan has not yet been consummated. In November it was announced that the Export-Import Bank had approved a loan of \$16,000,000 to the Yung Li Chemical Works, a private Chinese enterprise. Approval and guarantee of this private loan had previously been withheld by the Chinese Government, T. V. Soong apparently favoring a policy of a single lump sum inter-governmental loan with the proceeds to be used in China as the Chinese Government sees fit.

Appointment of Mr. Clarence Gauss<sup>47</sup> to the Board of Directors of the Export-Import Bank is regarded as a significant development in view of the background of his experience in China and the pending China loan negotiations.

Representatives of the Standard Vacuum Oil Company, the Texas Company (China) Ltd., and the Shell Company of China, Ltd., have recently been carrying on negotiations with the Ministry of Economic Affairs with a view to collaboration in the development of China's indigenous oil resources. Representatives of the Socony Vacuum Company recently returned to the United States with a proposal which gives some promise of success in these negotiations.

#### *UNRRA*

China has received an allocation of approximately US \$550 million from UNRRA, the largest single allocation UNRRA has made to any country. Although this sum is small in relation to China's absolute needs and on a per capita basis, China will experience great difficulty

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<sup>47</sup> Formerly American Ambassador in China.



in making effective use of it in view of transportation and administrative difficulties. The Embassy observes and reports the functioning of UNRRA to the State Department so as to enable the Department to make recommendations to UNRRA in Washington which will contribute to the best possible utilization of the UNRRA allocation in existing circumstances.

#### *Electrical Power Developments*

Recently announced by Secretary Ickes was the agreement by which the United States Reclamation Bureau is to help the Chinese Government work out plans for flood control and a water power plant in the Yangtze river basin.<sup>48</sup> Cost of preparing designs and specifications amounting to \$500,000 are to be paid by China, with John L. Savage, Reclamation Bureau, Denver Office, in charge of this work.

From the commercial standpoint, great importance attaches to China's decision with respect to adoption of a 50-cycle or 60-cycle standard for its future electric power development. Because the United States is on the 60-cycle standard, its manufacturers would find it more advantageous in supplying the China market, especially for various types of electric motors and equipment, if China were also to adopt the 60-cycle standard for its future development. The British are understood to be active on this matter in support of the 50-cycle standard, the adoption of which would similarly benefit British manufacturers.

#### *United Nations Conference on Trade and Employment*

The United States has proposed that the United Nations organization convene a conference in the summer of 1946 to adopt measures for elimination of barriers to international trade, and has proposed that a preliminary meeting in preparation for such a conference be held in March or April 1946. The Embassy is now communicating the Department's proposals on this matter to the Chinese Government.

#### *Other Pending Matters*

Other matters now pending with the Chinese Government involve (a) carrying out of the agreement by which in 1945 U. S. film distributing companies are to be granted dollar exchange at a 20 to 1 rate to remit 15 percent of net earnings in China; (b) China's willingness to sign aircraft mortgage and property record conventions, as proposed by the Department of State following the International Civil Aviation Conference in Chicago in November-December 1944; (c) the sending by the Chinese Government of a representative of its Customs Service to the United States, especially to study operations of foreign trade zones or free ports.

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<sup>48</sup> For documentation on this subject, see pp. 1425 ff.

Marshall Mission Files, Lot 54-D270

*Memorandum by the Chargé in China (Robertson) to General  
Marshall*

[CHUNGKING,] December 19, 1945.

GENERAL MARSHALL:

1. The dominant feature of the Chinese economic situation is the continuance of the wartime currency hyperinflation in a country in which the process of unification, economic as well as political, is proceeding quite slowly. All the phenomena concomitant upon hyperinflation—including rapid expansion of note issue, sustained and severe rise in prices, exorbitant interest rates (8 to 10 percent a month), flight from the currency, etc.—are present in China. Note issue continues to expand at an alarmingly rapid rate; it was CN \$900 billion in November and will be a trillion by the end of the year, an increase of five times since December, 1944.

The main cause of the hyperinflation is the inability of the Government to finance expenditures from current receipts from taxation, etc., which compels it to resort to the printing press. The budgetary deficit shows no signs of decreasing. It will be over CN \$1 trillion this year and there is still little evidence forthcoming to show that the budgetary situation will undergo any pronounced improvement in 1946. This will remain the case as long as the Government's military responsibilities and expenditures continue to be as heavy as they are.

Prices in the interior have fallen very slightly since the end of the war and are still over 2,000 times 1937 levels. However, prices in the coastal areas have risen sharply since the cessation of hostilities, and it is to be feared that the general upward swing of prices will be maintained as long as the budgetary situation continues so unfavorable.

2. China's International[al] Financial Position. While China has considerable foreign exchange assets—approximately US \$1 billion including Government gold and foreign exchange and private foreign exchange assets—she is bound to make very heavy foreign exchange expenditures for some time before she receives substantial amounts of foreign exchange on current account from exports and from overseas remittances. Moreover, she will need a very large sum of foreign exchange for eventual currency stabilization, probably around US \$ half a billion. Thus, China's foreign exchange assets are small in relation to her needs, and she is likely to be a borrower for some time.

The Export-Import Bank is already negotiating a loan of US \$560 million to China, and China will certainly need more to facilitate the process of economic recovery. China will not only borrow from the Export-Import Bank, but will also undoubtedly avail itself of member privileges in the International Monetary Fund and International Bank for Reconstruction and Development to obtain access to more foreign exchange.

The resumption of normal international financial relations by China is severely retarded by the existence of the fictitious official exchange rate of 20 to 1. The final stabilization of China's currency must await her putting her financial and economic house in order which in turn must await her putting her political house in order.

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893.00/12-2045 : Telegram

*The Consul at Peiping (Stevens) to the Secretary of State*

PEIPING, December 20, 1945—9 a. m.

[Received December 20—7 a. m.]

36. Chiang Kai-shek expressed gratification at President Truman's statement [on] American policy in China<sup>49</sup> in interview granted Chinese and American pressmen December 18. Chiang expressed admiration for Truman whose statement Chiang said showed clearly the President's understanding of China situation.

Chiang said he hoped Truman's statement would hasten settlement differences between National Government and Communists but that this will depend on Communists and whether they will accept Truman's views (sent to Chungking, repeated to Department).

According to semi-official despatch from Kweisui, siege of Paotow by Communists has been almost lifted and Central troops are engaged in cleaning up Communists from country around Suiyuan city.

Steps have been taken by government authorities to transport food-stuffs from western Suiyuan to Paotow to relieve food shortage.

Officials Peiping-Suiyuan Railway began emergency repair work on section running east from Paotow which suffered in every possible way damage from Communists.

Reports from southern Suiyuan and Central Hopei tell of Communist activities in wrecking railways, requisitioning food stuffs and enforcing compulsory conscription.

[STEVENS]

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<sup>49</sup> December 15, p. 770.

711.93/12-2045 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 20, 1945—4 p. m.

2028. For General Marshall. Following is summary and analysis of opinion on US policy toward China as reflected in State Dept. mail:

“1. Communications are practically unanimous in opposing US participation in the Chinese civil war.

2. These communications are coming to the Dept. in large numbers.

3. CIO labor unions constitute the largest group sending communications. Communist and AFL unions are also sending a large number of communications.

4. The CIO and Communist communications are coming in such quantity as to suggest an organized drive. Other communications are so varied and the geographical spread is so great as to suggest that the protests represent a strong feeling among people who are acting, for the most part, spontaneously.

5. In the light of this and other types of evidence, the conclusion is that the use of US troops in China is unpopular with the American people.”

ACHESON

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Marshall Mission Files, Lot 54-D270

*Memorandum Prepared by President Chiang Kai-shek*<sup>50</sup>

A MEMORANDUM ON THE PROBLEM OF THE CHINESE  
COMMUNIST PARTY

1. The separate and independent army of the Chinese Communist Party:

When the war of resistance to Japanese aggression first broke out, the Chinese Communist Party issued a manifesto declaring its willingness to obey all orders of the Central Government and support national resistance against the enemy.<sup>51</sup> Thereupon the Military Council of the National Government reorganized the armed forces of the Chinese Communist Party in northern Shensi into the 8th Route Army<sup>52</sup> (subsequently called the 18th Army Group) of the National Army, and, at the same time, the Communist armed units scattered in the areas south of the Yangtze River were reorganized into the New Fourth Army. These newly reorganized Communist armies were ordered to carry on their operations in designated areas, en-

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<sup>50</sup> Marginal notation: “This memo was prepared by the Generalissimo prior to Marshall’s arrival.”

<sup>51</sup> See telegram of September 24, 1937, from the Consul General at Hankow, *Foreign Relations*, 1937, vol. III, p. 548. For text, see *United States Relations With China*, p. 523.

<sup>52</sup> See telegram No. 644, September 13, 1937, 8 a. m., from the Ambassador in China, *Foreign Relations*, 1937, vol. III, p. 522.

trusted with definite tasks and were given the same treatment as the rest of the National Army. However, although the Chinese Communist Party had agreed to participate in the war of resistance to Japanese aggression, it soon became apparent that it had no intention to obey the military orders of the National Government for it was not long before the Communist armies began to take independent action.

In the winter of 1939, after the Russo-German agreement had been concluded,<sup>53</sup> the Chinese Communists, through their publications and other forms of propaganda, began to make open attacks on Great Britain and the United States, and strongly opposed China's cooperation with these two powers. Militarily they increased the numerical strength of their armed forces, expanded the areas under their occupation, and, in numerous instances, attacked the national troops and seized the arms of the local militia. This was especially true in the case of the New 4th Army, whereupon the Government was compelled to enforce discipline by ordering its dissolution. In spite of the dissolution of the New 4th Army, the Communist armies in other areas continued their expansion with the result that the Government found it increasingly difficult to enforce its military and administrative orders and the war of resistance to the Japanese invaders was impeded. After the outbreak of war between the U. S. S. R. and Germany, the Chinese Communist Party, on the surface, took a more conciliatory attitude, but in fact it never ceased its activities in disobeying military orders from the Central Government and in establishing illegal local administrations. With a view to seeking a satisfactory solution and thereby achieving a unified military command, the Government repeatedly sought to negotiate with representatives of the Chinese Communist Party, but these negotiations and possible compromises all proved fruitless owing to the increasingly inordinate demands of the Communists as war progressed.

2. Military actions of the Chinese Communists after Japan's surrender to the Allied Nations:

On August 11, 1945, immediately after the announcement of Japan's surrender, the following seven orders were issued by General Chu Teh, Commander-in-Chief of the 18th Army Group, in the capacity of "Commander-in-Chief of the Army of Liberation at Yen-an":

His first order stated that the Chinese Communist armies had the right to accept the Japanese surrender as well as "the right to dispatch troops to take over any cities, towns and strategic lines of communication occupied by the Japanese and puppets and to appoint special commissioners to be responsible for all administrative affairs in the areas concerned." Basing their actions on this order, the Communists

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<sup>53</sup> Signed at Moscow, August 23, 1939; *Documents on German Foreign Policy, 1918-1945*, series D, vol. VII, p. 245.

extended their so-called "liberated areas" to regions beyond the "liberated areas" originally occupied by them prior to Japan's surrender, and the military and administrative officials of the National Government stationed in the areas coveted by the Communists, such as General Fu Tso-yi in Kweisui, General Yen Hsi-shan in Taiyuan and Governor Ho Ssu-yuan in Tsinan, were all branded as "traitors". The Communists also began to create incidents in which were involved some American marines who were assisting Chinese national troops in accepting the Japanese surrender in areas which had never been occupied by the Chinese Communist forces. The incidents which recently occurred at Chinwangtao and Tientsin were a direct result of this order issued by General Chu Teh.

General Chu Teh's second order directed the Communist armies in Shansi and Suiyuan to thrust into Chahar and Jehol, the Communist-organized bandit units in Hopei and Chahar to thrust into Jehol and Liaoning, and other Communist organized bandit units in Shantung and Hopei to thrust into Liaoning and Kirin and thus create chaos. By means of this order the Chinese Communists sought to prevent the national troops from taking over the Northeastern provinces.

General Chu Teh's third order directed the Communist armies to launch an invasion of Suiyuan, Chahar and Jehol. With the support of the military forces of the People's Republic of Outer Mongolia, they invaded the aforesaid provinces and Inner Mongolia in order to obstruct the advance of Government troops. This order has led to the present attacks on Kweisui and Paotow and has made it impossible for the Government to take over the administration of Chahar and Jehol.

General Chu Teh's fourth order directed the Communist armies to make concerted attacks on the national troops in Shansi in order to control the vast areas along the lower reaches of the Yellow River.

General Chu Teh's fifth order directed the Communist armies to control or destroy all the railways in both south and north China.

General Chu Teh's sixth order directed the Communist armies to coordinate their activities with the operations of the Soviet forces in order to carry on war in both China and Korea.

General Chu Teh's seventh order announced the ways in which the Communists were going to carry out their "military control" of the cities and towns occupied by them.

The execution of the aforesaid orders was not suspended despite Mao Tze-tung's visit to Chungking and the political talks carried on between the representatives of the Government and the representatives of the Communist Party since September. Even today these orders are still being carried out by the Communist armies.

3. The talks between the National Government and the Chinese Communist Party:

The National Government has always taken the stand that the problem of the Chinese Communist Party should be solved through political means and has repeatedly issued statements of its policy. After Japan's surrender, President Chiang Kai-shek sent a telegram to Mao Tze-tung on August 14th, inviting him to come to Chungking to discuss various important problems. On August 16th, General Chu Teh sent a long telegram to President Chiang in which six demands were presented. On the same day, Mao Tze-tung sent President Chiang a telegram declaring that he would not "consider the question of meeting President Chiang" until the President had expressed his views regarding General Chu's telegram. The first five of General Chu's demands all concerned the participation of the Communist armies in the acceptance of the Japanese surrender, which demands implied an unqualified execution of the seven orders Chu had issued. The sixth demand insisted that the Government should convene a conference of the representatives of all the political parties and form a coalition government.

On August 20th, President Chiang sent another telegram to Mao Tze-tung explaining that the National Government, in accepting the Japanese surrender, was only acting in accordance with the decision of the Supreme Allied Headquarters, and that General Chu Teh should not take exception to this procedure. The President further declared that "the global war has just terminated and no fresh outbreak of civil strife should be tolerated," and strongly urged Mao Tze-tung to come to Chungking. On August 22nd, Mao Tze-tung sent President Chiang a telegram saying that he would first dispatch Chou En-lai to Chungking to confer with the President.

On both the 23rd and 24th of August, President Chiang again telegraphed to Mao Tze-tung inviting him to come to Chungking personally. At that time the Sino-Soviet Treaty of Friendship and Alliance had just been announced, and, on August 25th, the Central Committee of the Chinese Communist Party issued a "Statement on the Present Situation." Bringing this Statement with him, which contained six demands of the Communist Party, Mao Tze-tung came to Chungking. The six demands still stressed the Government's recognition of the Communist armies and the areas occupied by them and insisted upon their participation in the acceptance of the Japanese surrender.

The talks between the representatives of the Government and the representatives of the Chinese Communist Party commenced on September 2nd. On October 10th, the representatives of both sides jointly made public their "Minutes of the Talks" giving the essential points of the negotiations which had lasted forty days. The Minutes revealed that both the Government and the Communist Party were

in agreement over the principle of peaceful reconstruction of the country, the democratization of the Government, the liberties of the people, the legal status of the various political parties, and the National Assembly. The Government and the Communist Party, in spite of the protracted negotiations, however, had not been able to reach any agreement over the questions concerning the status of Communist armies which take orders only from the Communist Party, and the areas occupied by them.

The Chinese Communist Party demanded its right to maintain an army of at least twenty-two divisions to be stationed in the "liberated areas" both north of the Lunghai Railway and in the northern parts of Kiangsu and Anhwei. The Communist Party also demanded the Governorships of the provinces of Jehol, Chahar, Hopei and Shantung as well as the border area of Shensi, Kansu and Ninghsia, the Vice-Governorships of the provinces of Suiyuan and Shansi, and Communist officials in the municipal governments of Peiping, Tientsin and Tsingtao.

If the National Government had complied with the above-mentioned demands, it would have resulted in the partitioning of China into two separate countries—one in the south and another in the north.

The talks held prior to October 10th, therefore, had failed to bring about a settlement of the all-important question of maintaining China's unity. If anything could be said to have been achieved at all, it was limited to the following three points: First, both the Government and the Communist Party explicitly stated that China's internal disputes should be settled through political channels instead of resorting to force; secondly, all questions relating to the National Assembly were to be settled by the Political Consultative Council which was to be convened before the convocation of the Assembly and in which the existing political parties in China and social leaders without any party affiliation were to participate; and thirdly, the question of the reorganization of the Chinese Communist armies was to be discussed by a military sub-committee which should be composed of a military representative of the Government, a military representative of the Communist Party, and another person having no connection with either the Government or the Communists.

4. Efforts made by the National Government since Mao Tze-tung's departure from Chungking:

After the "Minutes of the Talks" had been made public, Mao Tze-tung left Chungking for Yen-an. Since October 20th the representatives of the Government have repeatedly invited the representatives of the Communist Party to discuss questions relating to the distribution of the membership of the Political Consultative Council and the voting procedure, the liberated areas, the avoidance of armed clashes, and the restoration of communications. No agreement has been



reached over these issues, while the convocation of the Political Consultative Council has been greatly delayed owing to the failure on the part of the Communists to submit the list of the names of their representatives.

Meantime, the Communist armies have been intensifying their attacks in Suiyuan and Shantung, in obstructing the entry of national troops into the Northeast, and in destroying the railways. The Government, however, has persisted in its efforts to reach an understanding with the representatives of the Communist Party in the hope of avoiding further armed clashes.

On October 16th, the representatives of the Government had made the following three proposals to the representatives of the Communists: first, railway communications must be restored; secondly, the Communist armies should withdraw from the railway zones and maintain the *status quo* in the areas already occupied by them; and thirdly, General Yeh Chien-ying, military representative of the Communists, should come to Chungking as soon as possible so as to enable the Military Sub-committee to discuss questions relating to the reorganization of the Communist armies and their garrison areas. It was not until October 29th that the reply was forthcoming.

The Communist Party in reply made two counter-proposals. First, the Communists demanded: (1) That Government troops should not advance in the direction of areas occupied by the Communists; (2) That both the Government and the Communists should not station troops along the Pingsui, Tungpu, Chentai, Tsinpu and Kiaotsi railways, the northern section of the Pinghan railway, the eastern section of the Lunghai railway, and the western section of the Peining railway; and (3) That the Government should first consult the Communists if troops were to be sent to Peiping, Tientsin and Tsingtao. Secondly, the above points must first be settled before the Military Subcommittee could proceed with its work.

From these counter-proposals it may be seen that the Communists were again attempting to make the Government accept the new *fait accompli*, brought about by their independent armed forces (that is, their attacks on areas garrisoned by the National troops, their obstruction to the National troops, acceptance of the Japanese surrender, and their destruction of railways) as a prerequisite for their participation in the Political Consultative Council and the Military Sub-committee. In the hope that what had been accomplished in the talks during the past two months might not be entirely nullified, the Government again made great concessions as can be seen by the following.

The Government's reply to the Communists dated October 30th contained the following six points: (1) The Government and the Communist Party should order their respective troops to remain where they were originally stationed and mutually refrain from using

armed force; (2) The Communist forces in the railway zones should withdraw to points not less than 20 kilometers from the railway lines and the Government would dispatch only railway police to these evacuated areas instead of sending regular troops; (3) The People's Political Council should organize a Communications Supervision Party to be sent to the railway zones to investigate the actual conditions and report its current findings; (4) The Communists should be consulted if the Government desires to transport troops along the railways mentioned by the Communist Party in its demands; (5) For the purpose of facilitating peaceful reconstruction, the Government and the Communist Party should effect a fundamental solution of the problems concerning the garrison areas of the Communist armies and their reorganization; and (6) The Political Consultative Council should be immediately convened.

Instead of giving a clear-cut reply to these concessions of the Government, the Communist authorities in Yen-an presented the following four demands on November 8th: (1) Government troops should stop advancing into the "Liberated Areas"; (2) Government troops already in the "liberated areas" should be withdrawn; (3) Government troops should be withdrawn from the eight railway lines (including the Peining railway); and (4) The Government should guarantee that its troops would never again enter the "liberated areas".

When the negotiations reached this stage, it appeared that the efforts made by the Government during the past two months had all been in vain. Thereupon the Government suggested to the Communists that all questions should be brought up for discussion in the Political Consultative Council and that the Council should be convened on December 1st. However, Chou En-lai left for Yen-an and did not return to Chungking until the 14th of December, and in the meantime the Communist armies have extended their attacks to areas north of Shanhaikwan as well as the northern parts of Hupeh, Honan, Kiangsu and Anhwei.

##### 5. The object of the Chinese Communist Party:

What is the object of the Chinese Communist Party? This is a question we must consider. Under no circumstances will the Communists cease their military activities in occupying more territories. They have utilized all available methods of propaganda to justify their use of armed force. If this be the fixed policy of the Chinese Communists then whatever length the Government is prepared to go, no satisfactory result could be achieved.

The following résumé submitted to the Central Political Board of the Chinese Communist Party by Mao Tze-tung after his return to Yen-an from Chungking seems to provide an answer for the questions we have asked.

(1) He regarded the political means employed by the National Government in the form of the recent talks as designed for the ultimate object of destroying the Chinese Communist Party.

(2) He explained that the Chinese Communists should not be satisfied with the mere recognition of the legal status of their party. "If we are deprived of our armed forces and political power, what does the legal status of the Chinese Communist Party amount to?" He further declared, therefore, that the "Armed Forces of our Party must not be abolished, and, at the same time, the political power of our Party also must not be abolished."

(3) He explained that the Communist demand for the reorganization of the Communist armies into twenty-four divisions was merely for the purpose of winning sympathy in China and abroad. He clearly stated that "the reorganization of our armies into twenty-four divisions should not prevent us from having other armed forces."

(4) He specially pointed out that it is quite fitting and proper as well as important that the Northeast should be made the base of China's revolution. The Communist Party, he said, should concentrate its strength and extend its activities to the Northeast.

Besides, the following resolution was passed by the "Central Revolutionary Military Council" of the Chinese Communist Party in November: "(1) That an Army of Liberation shall be formed, and that while the 8th Route Army and the New 4th Army shall retain their original designations, the remaining armed units in North, Central, South and West China, shall all be reorganized into local armies of liberation to be placed under the command of the Chinese Headquarters of Liberation in Yen-an; (2) Now that our strategic offensive against the reactionary troops of the Kuomintang has already expanded the liberated areas and overcome the obstacles to our entry into the Northeast, our task shall be not only the occupation of the Northeast but to struggle for the victory of tomorrow."

From this it may be seen that the problem of the Chinese Communist Party is a most complicated and difficult problem. The Chinese Communist Party still seems unwilling to have its armies incorporated as an integral part of the National Army, to give up its independent military and political power and content itself with being a regular political party with legal status. In spite of these obstacles, however, the National Government is still hopeful in the exploration of a solution through political means.

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Marshall Mission Files, Lot 50-D270 : Telegram

*Colonel Ivan D. Yeaton, Commanding Officer of the Yen-an Observer Group, to Lieutenant General Albert C. Wedemeyer*

YENAN, December 20, 1945.

At a two-hour conference with General Chu Teh yesterday he twice repeated "Now that the U. S. China policy has changed". (to the better).

This statement coupled with Communist spokesman's press release stating "President Truman's suggestions are welcomed by Chinese Democrats" and "we hope that American troops in China will swiftly disarm and repatriate Jap troops" manifest the natural change in Communist line to quickly take advantage of and over-interpret the President's speech.

In answer to Koji's<sup>54</sup> question "Would not the disarming of Japs by American troops still detract from China's prestige in view of past expressed opinions on this matter in Communist newspapers?", General Chu replied, "It is now not a problem of prestige but how Japs can quickly be disarmed and repatriated", adding that it is most important how other forces will be used to implement mission of U. S. Forces which has not been carried out quickly enough. He naturally added the Communist forces would be glad to cooperate with U. S. Forces and explained that in the past a Communist office was set up in Tientsin for this purpose but dissolved by Kmt.<sup>55</sup> (Reds in past repeatedly charged U. S. troops for arresting and disarming their Tientsin officials.)

YOG comments: Slight hint in U. S. policy has quickly brought out a desperate cry to stop the civil war earliest and successfully conclude negotiations. I detect a new low in assurance and believe Communists ready to make greater concessions than ever before and at same time if General Marshall's reactions favorable to throw themselves in the lap of United States.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Held at Nanking, China, December 21, 1945,  
9:15-11:30 p. m.*<sup>56</sup>

Present: Generalissimo Chiang Kai-shek  
General Marshall  
Madame Chiang Kai-shek  
Doctor Wang Shih-chieh (Foreign Minister)  
Mr. Walter Robertson (American Minister)  
General Wedemeyer

**GENERALISSIMO:** Would like to know if there is anything you would like to ask or to tell regarding President Truman's instructions.

**GENERAL MARSHALL:** I have no questions. I come initially to listen and inform myself. I do not wish to repeat President Truman's statement with which the Generalissimo is familiar. Nothing I could

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<sup>54</sup> Koji Ariyoshi, 2d Lt., A. U. S., of the Yen-an Observer Group.

<sup>55</sup> Kuomintang (Nationalist Party).

<sup>56</sup> These minutes were prepared by General Wedemeyer on the basis of notes he jotted down while General Marshall talked with the Generalissimo (611.93/-12-2145).

say now would be supplemental to the President's statement. The situation as I see it is about as follows. The American people are warmly disposed toward China and they are interested in maintaining good relations with China. There is extreme reluctance on the part of the people in the United States to take any action that could be interpreted as interference of local affairs of any other country. The feeling in this regard is intensely strong at this time and whatever the President may desire to do he is definitely affected by this public reaction. It would be more difficult to maintain American power of force including planes and ships and personnel in this area in the light of public feeling unless there is definite action being taken toward a peaceful solution of the problems presented. The President's position and his own opinion with reference to what he can do would be affected by the rapidity of action giving definite evidence of a peaceful solution. The President is aware of the extreme difficulties in achieving successful negotiations. I have seen the memorandum that the Generalissimo gave Wedemeyer concerning the situation. It would appear that the President's power to act, that is, to employ definite military assistance here for the rehabilitation of China, would be strongly influenced by public reaction to genuine concessions made by both the Kuomintang and Communists. In other words, his power would be definitely determined by events. I think that the President understands and it is apparent with my brief knowledge of the situation, the solution is probably involved in the problem of the Communist Army which would not surrender to relinquish autonomy. Whether or not the Communist leaders, after considering the President's statement, will be genuine in their efforts, remains to be seen. If it becomes definitely evident that they have made no contribution towards concession or solution, they would lose very quickly any vestige of sympathy in the United States. Realizing the publicity power of the critical element, they would undoubtedly receive more publicity than the Central Government.

**MADAME CHIANG KAI-SHEK:** You mean to say that the American Press is more favorable to the Communists?

**GENERAL MARSHALL:** I don't mean that. I mean the critic gets the publicity. There are many things, as the Generalissimo is probably aware, that President Truman would like to do to assist in the rehabilitation of China, including industry, imported cotton, shipping and things of that general nature. His action would be limited by Congress—meaning public opinion. By the crystallization in the United States of the degree of effort made to make satisfactory negotiations, the people of the United States at present respond very definitely to the desire to see the termination of hostilities. The more quickly satisfactory basis can be determined for settlement, therefore,

the more quickly the President can do something for China. One of the most important points for the President is the time element because of the disposition of our people to terminate the employment of troops out here. I assume but I do not know that the Communists will endeavor to profit by that and they may adopt delaying procedure. This would add to the difficulties. The President has placed emphasis upon the evacuation of the Japanese. That of course is coupled with complications involved with the movement of troops into areas under dispute.

I might summarize all that I have said—that the position of the President depends in a sense almost entirely upon United States public appreciation of the reasonableness and determination on the part of both sides to reach satisfactory settlement. From one point of view that would apply more strongly to the Central Government for throughout the war the United States has supported and assisted the Central Government. I would like to repeat again that I arrive here with a great deal to learn also with genuine appreciation of the difficulties involved in successful negotiations. The Generalissimo of course commands the respect and admiration of the people not only in the United States but of the world for his leadership during the war. Our interest is predominant in relation to this fact. The President to repeat again can do and desires to do a great deal for China but he must have the support of the people. My own mission I feel is to listen and to learn much that I don't know concerning the difficulties. I understand there is a meeting of the Political Consultative Council which will consider the problems. I come to China as the President's personal envoy to the Generalissimo and to his Government. That defines my position. I will listen to such statements the various groups may make but any statement of my views and my suggestions will be confined strictly to the Generalissimo. It is not my purpose to make known such views to anyone else even in general to the American Group. So I will not commit my views to anyone, not to any of the Generalissimo's assistants and certainly not to any among the opposing groups.

GENERALISSIMO: I am very happy to hear what you have just said. I feel that the fact that the President has chosen General Marshall to come to China and the statement he recently made will be a great help to China. I feel strongly that if the statement the President made had been made a year earlier, the Communists would not have been so rambunctious. I quite realize that before the end of hostilities it would have been difficult for the American President to make such a statement. All along it has been the policy to be patient and to make peaceful settlement on the part of the Central Government. Now that you have come out and along with the statement of Mister

Truman, we shall persist to seek a settlement in spite of the past experience in negotiations. Now that you have come to China, I would like to make it clear that if there are any questions, you will state them frankly. I should appreciate your advice and suggestions regarding what you see and hear so that we can use political means to reach a settlement with the Communists. I feel that the most important thing that the President said—is the existence of autonomous armies such as that of the Communist Army as inconsistent with and actually makes impossible political unity in China. I am sure you, General Marshall, fully recognize the importance of that statement as I do. We must exhaust every political means to settle this question. That is my conclusion that has been strengthened after I read the President's statement.

**GENERAL MARSHALL:** It is understood in the United States that you can not have a unified country with two independent armies. I would like to ask the Generalissimo a question. What is the effect of the President's statement upon the Communist leaders? What reaction can be expected of them?

**GENERALISSIMO:** This is not a simple question. You must remember one thing. Their reaction would not be spontaneous. They would have to determine the reaction of the Russians. On the surface both Russian and Chinese Communists deny connection. But in all matters of broad policy, the Chinese Communists rely upon the Russians. Therefore you will please note that the result of the three Prime Ministers meeting in Moscow<sup>57</sup> will have a great influence on the reaction of the Chinese Communists. The attitude of the Chinese Communists a month ago has now undergone a change. From the end of October to about the middle of November they were very active and appeared to have considerable support for example arms and equipment, and they were able to attack Central Government forces successfully. The Russians were helping them. Beginning November 15th after the Generalissimo's Headquarters began to be withdrawn, the Russians realized they had failed in their motives and stopped helping the Chinese Communists. This resulted in the Chinese Communists suffering heavy losses in their actions against Central Government troops and now the Chinese Communists say they want to settle by political means for they want to gain time. When we say political means, we mean it. However, they want to play for time. How are we of the Central Government to face this question? First, we hope that there will be satisfactory agreements reached

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<sup>57</sup> Reference is to the meeting of the Foreign Ministers of the Soviet Union, the United Kingdom, and the United States at Moscow, December 16-26, 1945; see pp. 829 ff. and Department of State *Bulletin*, December 30, 1945, pp. 1027-1036, 1047-1054.

in Moscow by the three Prime Ministers so that the Russians will be compelled to honor their agreements. Second, we hope to occupy North China in order to make it possible to unify China. If we put enough Armies in that area, the Chinese Communists will be compelled to resort to political means in order to settle the problem. I should like to give you our experiences in the Northeast Provinces. The Generalissimo's Headquarters sent a staff to Changchun on October 12th. The Russians' attitude toward this staff and the Chinese Government were very unfriendly and uncooperative. We wanted to land troops at Dairen, however, Russians said we can not land there as Dairen is a commercial port; if military forces landed at Dairen this would be contrary to the Sino-Soviet Pact. We negotiated with them pointing out the unreasonableness of their attitude but they paid no attention to us. We continued to point out that we retain administrative integrity in Dairen even though it is an open port. The Russians suggested that we land at Hulutao and Yinkow. We informed them that we would land there in those two ports on October 26th and the Russians agreed to this and also guaranteed the security of our landing. On October 24th the Russians withdrew permitting the Chinese Communists to move into those two ports. Our attempts to land at Yinkow and Hulutao were opposed by Chinese Communists. We realized now that the Chinese Communists occupied those two ports by consent and assistance of the Russians. Therefore we debarked our troops at Chinwangtao and moved them north by rail. We started to move some troops to Changchun by air. The Russians said that Americans could fly the planes to Changchun but that no American ground crews could remain there. They also allowed Chinese Communist troops to move into Changchun and surround the Chinese staff and Headquarters located there. It is very apparent that their purpose is to create a Puppet Government under Chinese Communists. I saw the situation was getting tense and I wanted to send a representative to Stalin and notified him accordingly. A reply came back from Moscow stating that Stalin was not in Moscow and that my telegram would wait his return to that city. This was November 15th. In view of these facts and knowing that the Russian Army would withdraw from Changchun about November 17th, I notified the Russians that I would withdraw on the 15th of November and that they would be responsible for what happened. They thought we were making a gesture but when they learned that we were in earnest their attitude changed. On 21st of November, the Russian Commander-in-Chief Malevosky, stated that he was sorry that we were withdrawing and that he did not know



that our Headquarters had been surrounded by Chinese Communists there. Finally a message was received from Stalin requesting a Chinese representative be sent to Moscow after December 15th. We now plan to send troops into Mukden by rail and into Changchun by air. Every day the Russians are asking us to move troops by air into Changchun. I have not made any definite moves because we have to see what action will be taken at the meeting of the three Prime Ministers in Moscow. Also the question of supplies must be considered if I move more troops into Manchuria. I sent my Son to Changchun as my representative and the Russians urged that Chinese troops be sent. They indicated that they would remain until February 1st. Malevosky made this statement voluntarily. We accepted his offer because we have not sufficient troops and thus gives us more time for preparation. During this whole procedure we never asked the Russians to stay on in Manchuria, they volunteered to do so. However, the Russians are stating publicly that we asked them to stay. What I have just told you is what we have gone through the past few weeks. The Russians attitude has been unfriendly throughout. Whether our armies should now go further into Manchuria, I should like to take up with you in Chungking. Since Stalin wants me to send a personal representative to Moscow, I have decided to send one about December 25th.<sup>58</sup> What do you think about this?

GENERAL MARSHALL: I don't know the details about it. This is the first time I have heard much of what the Generalissimo has stated. I don't understand the logic to it however. Why should the Russians reverse themselves after November 15th when the Generalissimo removed his staff? There appears to be some other reason.

GENERALISSIMO: The Russians did not want to appear to be unfriendly to the outside world or to have violated their agreement.

GENERAL MARSHALL: I am just learning many of these details for the first time. Mental processes of the Russians are different. Throughout the war we have had some difficulties with them. I must say however in justice to them that this was due to lack of faith on both sides. I found in my personal dealings with Stalin that he inspired me with confidence in contrast to his Foreign Office, however I felt this way in my contacts with the British Foreign Office. I dealt all right with the Prime Minister. Our own State Department might be considered in a similar manner—they use mysterious language.

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<sup>58</sup> In telegram No. 4325, December 31, 11 a. m., the Embassy in the Soviet Union reported the arrival at Moscow on December 30 of President Chiang's son, Chiang Ching-kuo, as the former's personal representative; Marshal Stalin received him the same day (761.93/12-3145).

Marshall Mission Files, Lot 54-D270

*Notes on General Marshall's First Conference With Mr. Chou En-lai*

General Marshall received Chou En-lai, General Yeh Chien Ying and Tung Pi Yu at 4 pm, 23 December 1945, in his residence in Chungking. General Marshall opened the conversation to say that it was very good of the Communist party representatives to come. He said that he had everything to learn and certainly for the time being, he was in China to listen and to ask questions. As the Communist representatives know, he is the Envoy of the President to the Central Government of China. However, that did not mean that he was confined in his discussions only to the Central Government and that he would be happy to see the Communist representatives at any time they might wish to talk to him and state their views to him. In specific relation to his mission, General Marshall said the President made a very complete statement and there was no point in his repeating it. However, it might be profitable for him to interpret various phases of the matter. In the first place, there has always been friendly and affectionate interests by the American people in the people of China. Chinese resistance and America's own participation in the Pacific war brought that interest to a new peak. China was, of course, in the midst of a bitter struggle with an overwhelming enemy for a number of years, but General Marshall doubted if even the Chinese people realized the extent of America's effort in the Pacific war. He said he was making these comments to show the degree of his interest and the why and wherefore of American interest in China. He said he doubted if China realized the tremendous American land, sea and air power in the Pacific which precipitated the end of the war. The American forces, he said, not only suffered heavy casualties in men and matériel, but had built up tremendous power in the Pacific by the end of the Pacific war. He said that China must try to understand the difference in the American attitude to a war thousands of miles away. America's homes were not in peril, but the American people were impressed by the tremendous numbers of men and matériel they had to send thousands of miles away. They brought the war to an end by generous expenditures of men, air power and sea power and atomic power, of which they are very conscious. Now having made that expenditure, they are intensely concerned in anything that might start a war again. Therefore, the President made his statement and in this he represented the feeling of the American people that a unified government in China is necessary to the peace of the world. The President is aware of the difficulty of reaching complete agreement. The very democratic processes require concessions by all to reach agreement, so the President and the Government are most deeply concerned to see generous co-

operation by all to reach a peaceful agreement. The President regards this, not only as desirable, but as a requirement to the peace of the world. How the various groups reach accord in China is a Chinese affair, but the U. S. feels the accomplished fact is our affair. The American Government is thoroughly conscious that this war started in Manchuria, spread throughout the world—Ethiopia, Europe and finally the Pacific. How the difficulties are resolved is China's affair, but he must emphasize for the President the urgency of an early agreement. The interest of the President is concentrated on the Political Consultative Council which is about to meet, and to which he attaches great importance. The President and the U.S. Government feel that China must find a basis of agreement which will end the existence of two armies in China. So long as there are two armies in China, this means that there are two governments—two countries. He said he was trying to give the Communist representatives the feeling of the American people as expressed in the President's statement. He said that he repeated again that he certainly realized the difficult barriers that China must surmount to accommodate its differences, but that there is no doubt that the world requires an early adjustment. General Marshall said that he was at the service of the Communist representatives and ready to hear them at any time, particularly in this period when he was trying to inform himself. He appreciated their coming and he stated that he was ready to listen to anything they had to say.

Chou En-lai said he was very much pleased at General Marshall's coming, especially on the mission of seeking the unification of China. He said that he desired to welcome the General on behalf of the representatives of the Communist party now in Chungking.

General Marshall thanked General Chou and said that he appreciated the fact that he had appeared at the airport to meet him. He said that he was very sorry that he had been unable to understand what General Chou had said at the meeting because his ears were still blocked from the landing and he could not hear.

General Chou said he appreciated very much what General Marshall had just said and that his comments were in the right spirit to promote the unity and peace in China. He said that the Communist party had had the same spirit during the war and since, and had consistently strived towards peace and democracy in China. He said that the Chinese people had made great sacrifices during the war. He recalled that China had been in the war for eight years, and if you reckon from Mukden, for fourteen years. The losses were especially heavy in occupied areas. Since the Pacific war, the Americans had made great contributions in the war and though China did not know the details, they were thankful for the effort. He said that relations between

China and the United States were good not only during the war, but had always been, and China appreciated and valued this friendship. He said that both before the surrender and after, the late President Roosevelt and then President Truman, had shown great interest in China. Of this China is very conscious and grateful. He said that it was the policy of the late President Roosevelt to bring the two parties together and that these policies were subscribed to by General Hurley and that the Communist party was in complete agreement with him when he went to Yen-an. Unfortunately, he said, when General Hurley returned to the United States in the spring, things had occurred so that the policies which he advocated were not carried out. After Japan surrendered, Mr. Mao came personally to Chungking to negotiate a settlement of the differences, but unfortunately no resolution could be reached on certain of the issues and the result had been the resurgence of war in China. He said it was the idea of the Communist party that the late President Roosevelt had wanted China unified on the basis of democracy. He said that apparently President Truman agreed on the main points of the late President's policy. He said that with regard to President Truman's statement, the Communist party agreed with the main points, which followed the policy of the late President Roosevelt. First of all there should be no civil war in China, which would not only destroy its peace and economy, but also the peace of the world. That is the reason the Communist party said there should be an immediate cessation of hostilities unconditionally, leaving all questions for discussion. He said that the Communist party believes this is very important, because even during this talk the fighting is going on and will lead to new difficulties. He said that the Communist party meant by cease-fire order that both sides cease firing. He said that he could guarantee that the Communist party would cease firing and if the government can agree, the war can be stopped. He said that the matter of preventing a resumption of the fighting involved other problems such as Communist participation in the surrender, the opening of communications, an end to the government use of puppet and Japanese forces in the civil war. He said that all these matters should be solved by conference. There were additional problems. The Government should be democratized. As President Truman has stated, the present government of China is a one-party government. This is the reason there are two armies in China. When democratization takes place, this problem can be solved. The Communist party fully agrees that all Communist armies should be nationalized, but this meant there must be truly a democratic government. He said that the Kuomintang admitted that the present government was a one-party government and that people outside their party did not have a right in the government. He said that the Com-

munist party believes there should be constitutional government, but such is not in existence. He said the Kuomintang had submitted a draft constitution which it wanted to submit to a National Assembly for which delegates had been selected ten years ago. He said these delegates were selected by the Kuomintang, which was the only legal party in existence at that time, all others being outlawed. He said the Communist party could not agree to a National Assembly on this basis. Therefore the Communist party advocated, he said, that right now there be a coalition government. There should be a national government of China, and nothing else, but its characteristics should be modified. He said that he hoped through the present Political Council the present government can be reorganized into a government of that nature, but he said that such a government must have something for its basis. Therefore, there should be a joint platform worked out by the PCC which would give a basis for the new government. If there was no such program agreed to there would be nothing to direct the policies of a coalition government. Such a coalition government would not only unify the political administration of China, but also its troops. Under such a program all armies would become unified since they would be under the National government. They would be neither Kuomintang nor Communist party armies. He said that the Communist party believed that in such a coalition government Generalissimo Chiang Kai-shek would remain as trustee. He said that under such a coalition government, the Kuomintang would be in first place in the government. He said that the Communist party always advocated along these lines since last year and still adhere to it. He said that the Communist party proposed that the Political Consultative Council prepare a draft of a constitution and then a plan be arranged under a coalition government for a National Assembly to adopt the constitution to make China a constitutional government. This, said General Chou, was the general line of the Communist party. He said that as to past events and specific action on concrete problems, he would appreciate it if General Marshall would submit any questions in his mind for the Communists to answer. He said that he would prepare certain written documents for General Marshall.

General Marshall said he appreciated very much General Chou's outline of his point of view and he would think over the matter and decide whether he had any questions. He repeated his desire to hear General Chou and his associates at any time they desired. He wanted to get full information. He said that he realized this was a historic period not only in China, but it all pertained to the peace of the world. General Marshall said that at some later time he would ask more questions and then perhaps express some opinion.

General Chou, after an exchange of pleasantries, said that the Communist party desired a democracy in China based not on the fake democracy of Japan under the Emperor, but on the American style. He said it was impossible for China to jump in one step from the present position to democracy. He said there were three things to learn. He said the first was the spirit of independence of Washington's time. The second was the spirit of freedom and of government for the people, of the people and by the people as expressed by President Lincoln. He said the third was agricultural reform in which there is no feudalism and an industrialization of China in which China must learn the techniques of America. He said that what he advocated now was only the American form of government. He said that the Communist party fully agreed with President Roosevelt's four freedoms. He said that, of course, China must digest the spirit of American democracy and work out a way that is adaptable to China. We must apply this spirit to China.

General Marshall proposed a toast to a generous understanding and General Chou replied to the toast of lasting freedom between the United States and China and General Yeh toasted General Marshall and the success of his mission of such great importance to China and the world.

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Marshall Mission Files, Lot 54-D270

*Notes on Conference Between General Marshall and Premier T. V. Soong in General Marshall's Residence, Chungking, 0900, 24 December 1945*

M: What time are you leaving this morning?

S: Immediately after my meeting with you.

M: What time did the Generalissimo get in?

S: About 3 o'clock.

M: Did he get sick?

S: No, he was lying down.

M: We had a very good flight.

S: Well, if you have anything on your mind.

M: I have nothing. I talked to the Generalissimo very profusely and frankly. At the present time I am here to learn. I have read a good deal and have listened, but I have got to listen to more. That is my status at the present time.

S: Is there anything I can do to help you. Provide you information about anything.

M: I will be able to go into an interchange of questions a little later, right now I am trying to absorb this mass of pros and cons that I hear. I am fairly familiar with the steps that have been taken and the differ-

ences of you with the Communists, your negotiations, the various political things, I have little knowledge of that. When it comes to the question of the Communist armies I know a little bit more. But still that is all involved in the political so I have a great deal to listen to.

S: Let me know if there is any way that I can help. I want to help you in your mission, because it is not only of world importance, but particularly for China's concern. Whatever I can do to help you, you can rely on me to do so.

M: While you were speaking I thought of one thing that you might talk to me about right now. There seems to be several of the various groups with various sides. I am familiar with the Communist group and the Kuomintang much more. That is one thing I thought you might help me on. Members of the Democratic League.

S: Stalin asked me the same question in Moscow. Most of the parties are so small and I told him that there frankly were only two parties in China that are worth anything. That is the Kuomintang and Communist parties. The other parties that form the Democratic League have very little to do for this country. One of the parties is called the Youth party. Now I tell you to be very frank with you. We had trouble with the Communists and we selected a man and told him to start the Youth Party. This man was Tseng. He started to function and the party got away from him and got in the hands of a General Li When [*Li Wen-hui*], a war lord of west part of China and now he is governor of the Sekon [*Sikang*] province. Its background is militarism. There is another party called the National Socialist Party. The members may be a few thousand men in whole of China. The National Socialist Party was formed by a returned student from Germany by the name of Chang. He is the brother of the former Minister of Communications called Chang Kiang Ngu. The formers were of Nazi Germany. These parties take their chances to have political siding with one or the other party. They together form the so-called Democratic League as against the Kuomintang. Now that is the low down as I understand it and I made a similar presentation to Stalin.

M: Now there is another party which I don't think you have mentioned. They tried to get to see me in Washington. They claimed to have a membership of six or eight million.

S: There is no side party in China of that membership.

M: Do these parties have leadership here?

S: Yes. There is no party that has a membership of more than 10,000 among the minor parties—that is the low down.

SHEPLEY: The other parties form into the Democratic League? The Democratic League represents all the other parties.

S: Its membership is all the parties. The Communists and small parties.

SHEPLEY: Under leadership of Chang Len [*Lan*] and he is in Chungking.

M: You have had your conversations with Stalin and I was wondering how familiar are you with the indications and difficulties that we have encountered, for example, in Berlin and in the uniformity of allied control in Germany.

S: I know that by what I read and by my discussions with various people.

M: I asked you that question to determine to what extent do you feel that this procedure differs from the procedure you have encountered in Manchuria?

S: Quite different, for the following reasons. We completed a treaty with Stalin. Everything that was given to him was put down on black and white. What she wants is to participate in the economic development of Manchuria to the extent that they claim everything as war booty. All the fixtures on everything.

M: They did the same thing with us in Germany. Our great difficulty was war booty. I did not realize this. Our greatest trouble in the affairs in Germany was what they claim as war booty. And when they took war booty they practically cleaned the place. Now what you are saying now is what we ran into in Germany. What I am trying to get from you is how does their procedure differ. I believe I better explain a bit to you. We had a written agreement that Germany was to be divided into three quarters, we occupied one quarter and they were drawn on the map. We also agreed a long time before the end of the war on which portion of Germany the French should have. This portion was drawn from the American and British portion and this was fixed and marked on the map. Now when we wanted to go into Berlin this summer on this Potsdam business, we couldn't get one individual into that place until 10 days before the President arrived. We finally forced the issue to get accommodations for this large number. Then when we got into the discussions we then found this interpretation of war booty and all of our discussions then which related to the various things were being classified on the Russian side as war booty. Something we had not anticipated. Now what you are saying is the identical procedure. In what particulars does their procedure in Manchuria differ from the very procedure we have run into in Germany through other dealings? We have gone into a long interchange for the simple purpose of having our planes fly straight from Berlin to Moscow.



S: I went in Harriman's plane and they put on a Russian pilot and we went from Moscow to Berlin and they stopped in Berlin to let them drop their pilot.

M: What we wanted to do was to run our plane from Berlin to Moscow, so your flight was very unusual.

S: I seemed to be privileged.

M: Almost nobody made that. What I am trying to get at is different than Russia's policy in Rumania and Bulgaria. That is an entirely different thing. This thing in Germany was their relation to the British and U. S. Government.

S: There is a difference. In our agreement with Stalin, it was perfectly clear that we would have the principal rail lines in Manchuria. We did not want them to have any part of the economic development of Manchuria as such. They were not to come in as privileged. Now as they come in they are moving everything. There is a difference, in my opinion, in the sense that it difference [*differs?*] from Berlin. They make the claim that everything that was done in Manchuria is designed for aggression against Russia. Everything that is done they term that way, anything, everything, even the telegraph lines were designed for purpose of aggression against Russia. They have now removed from Manchuria much of the best machinery. They have staked out a claim for economic position in Manchuria.

M: Now you are a little bit away of my approach. You are speaking of Berlin only. They took that part of Germany and classified everything as war booty. They have completely wrecked the economy of Germany. When they went in and claimed war booty they cleaned the place out. They left the thing completely out of balance. The only way we could recover the thing was for the U. S. to supplant that portion remaining to Russia. Evidently they are doing the same thing in Manchuria. The Generalissimo talked to me at length in regard to the action of the Russians, who by their actions are continuing to make it exceedingly difficult for the Central troops in its occupation. It is exactly what we had struggled with. There wasn't any variance at all. I am not talking about Rumania and Bulgaria where they are setting up governments. That is a different approach to the whole position. Take for example the situation as we came into the operation against Japan. We were trying to arrange to have certain things there. The first thing we wanted weather stations operating in the Sea of Japan. We considered that we must have Americans running the weather stations. After we got the agreements then there was no agreement. Then we had to have a place for our planes to come down. We agreed on certain principles and had them well defined. When we started to put our people in there we were in the same thing. To

what degree does that differ from Hulutao where they let the Communists come in. Then we went through the same thing. We put our bombers into Russia. It took us two years. We had every complication known to man. Now to what degree does this thing differ? To what degree does this show unmistakably that this is very plainly the same set up?

S: It is this. No communist troops were to be in Manchuria. When we got there it was manned by Communist troops. According to my information there are now 100,000 Communist troops in Manchuria, 50,000 at Harbin, 10,000 near Mukden and so on.

SHEPLEY: Were they Communist troops from the Yen-an Army? Those forces that are in there are under Chang.

S: All the troops now there were Yen-an Communists.

M: How many men in the Communist Army altogether?

S: There could not be more than 200,000.

M: If they have 100,000 in Manchuria.

S: There are about 200,000 regular troops, effective troops. There may be about 800,000 altogether.

M: What about Dairen?

S: We wanted to put our troops in Dairen. They refused on the grounds that it was an international port.

M: What about Port Arthur.

S: We made an effort and they said no. They were blocking us everywhere. We agreed first of all that we were welcomed. We planned to enter Dairen, and Hulutao and Tsingtao [*Yingkow*]. We were told that we could not land in Dairen, but however we can send troops to Hulutao and Tsingtao [*Yingkow*]. A few days later we were told that we could not land troops in Tsingtao [*Yingkow*]. A week or 10 days went by and we were in agreement that they withdraw from China within 3 months after defeat of Japan. So we are moving, Communists have returned to Tsingtao [*Yingkow*] and our small copy [*body*] of troops had to be withdrawn from this block. Proceed to Changchun by over-land. They follow direct and occupy Hulutao and Changchun.

M: The Communists are there. The leading elements are still not in Mukden.

S: Not to my knowledge. I talked last night by [*with?*] the Generalissimo since that agreement had been reached that our troops could fly to Changchun this next week. There came to me a message from the Foreign Office that your Embassy here has a telegram from Moscow asking that if you have wait [*sic*] for any objection to advisory commission on the same procedure.

M: I don't know what on.

S: The advisory commission to have a superior position.

M: They will have power over General MacArthur?

S: There will be some announcement on that finally.

M: The telegram is not here.

S: The Generalissimo being away, I made a decision that we agree.

M: What number have you on that commission.

S: We have three men. The Military Attaché, Major General Chu and then I am sending a man from China that is a man who knows something about the economic position in Japan and our requirements from Japan. Three people.

M: Let me ask you something quite apart from this. What is the status in Formosa?

S: The situation in Formosa is moving. Our men are removing the Japanese step by step.

M: How many Japanese?

S: There are still about a quarter of a million.

M: You have only two divisions there?

S: Two armies—one in the north and one in the south; six divisions.

BYROADE: I think the figure is about 62,000 men.

S: That is working out all right.

M: What do you get out of Formosa? Do you intend to evacuate all the troops from there?

S: All the Japs except a few technical men. We will get sugar from Formosa. Sugar to supply for all of China.

M: Where has the sugar been coming from?

S: We grow some in Canton, Amoy. This provides quite a great deal, but we mostly imported a great deal through the British. Formosa provides rice, sugar, rice, camphor.

M: You export that, don't you?

S: We only export that. From Formosa, that has been exported to the U.S. There is the cash question. Next year will not be so good. This year is not so good because of frequent bombings, and the Japanese help not operating in addition. Artificial fertilizer is the greatest need. The Japanese imported into Formosa 750,000 tons of nitrate. The Japanese put into effect a form of economic peonage in farming the rice and the natives didn't want to change from the old way. They wanted to do it the Japanese way.

M: Where does your rice come from?

S: Normally rice comes from Siam and Indo-China. We also export rice to the United States. That is a high grade. Import Siam rice and export our good rice.

M: What is your situation here in China concerning cotton mills?

S: During the war years 4,000,000 spindles were made in China. Of that 1,750,000 belongs to the Japanese. The government has a hold of that. Our most serious shortage is inland transportation.

Boats that will come up the Yangtze and [to] Kwangsi. Then there is a shortage of rolling stock. The rails have been destroyed. Telephone and telegraph lines came down. So the question of recovery of China is largely by inland transportation, also transportation on the coast. Larger shipping.

M: Have you a capacity to produce small vessels?

S: We produced some boats at our docks in Shanghai. They had a capacity to produce 10,000.

M: What sort of shipping for river shipping?

S: Large draft boats. Any boats that will be below 12 or 14 feet draft.

M: Gasoline driven boats all right?

S: Yes.

M: What about Diesel?

S: There are some people that are familiar with Diesel, but not large number.

M: Will LST's, LCI's, LCT's?

S: All of these boats would be very useful to China for two or three years for temporary measures.

M: What about Liberty ships? Liberty ships would be good for coast shipping.

S: Large ships could go to Tsingtao, Chefoo, Chinwangtao, Shanghai and up to Nanking and Canton, but they normally go to Kowloon.

M: As to rolling stock. Have you arrived at any calculations as to what you need?

S: Yes.

M: Very roughly what do you need in freight cars?

S: There is a shortage of practically everything. We have figures, our Minister of Communications has figures.

M: Locomotives?

S: There is a shortage even of rails. These people have pulled up the rails and taken them away.

M: What about the railroad buildings on that line? All right?

S: They are all right.

M: What about motor transportation? Your roads do not permit, do they?

S: We have a part of west China is almost entirely supplied by road transport.

M: Where do you get coal?

S: There are two large coal mines in Hankow, Changsha, just south of the lakes.

M: How far have they been opened?

S: They have just been opened.

M: Is it on the river?

S: On the railway between Canton and Hankow in Hunan. Then we have one in Angwan[?] Province which had an output of 1,500 tons a day.

M: Is that able to run now?

S: About 1,000 tons. In the Shansi Province coal mines you have the best coal in China for heating. Then we go up north to Keilin [*Kailan*] mines. Two of the places where we have coal. They are now approximately about 8,000 tons a day. About 3 million tons a year.

M: What is the trouble now?

S: The trouble has been largely transportation. Eight trains a day. Then there is the question of wood props for mining. They came from Japan. We are just getting some from Japan. Dynamite is easy to obtain here. Formosa also produces coal. Something in the neighborhood of a quarter million tons a month.

M: Taking all these things into consideration, it would appear that after about four to six months of work in the various fields, your economy in many respects will be coming back to practically a normal position.

S: That is right. The other thing is now our currency is in very bad shape.

M: Have you developed any scheme?

S: We have a scheme.

M: How are you going to handle all the Japanese money?

S: Two hundred dollars equal to one dollar our money. In northern China, Japanese currency which we have \$5 to one. They turn in within a specific time our currency. Two hundred to one was too high in Shanghai. We learned a lesson from that and made it 5 to 1 in north China.

M: What have you behind your currency?

S: We have some foreign currency abroad. Largely U. S. shares.

M: What have the Communists done in the way of things like coal?

S: They have done nothing of the sort.

M: I want to ask you about Japanese stocks. Wedemeyer told me they had quite a stock in blankets and things of that sort.

S: I went up to Shanghai. The Army was taking one thing, the Navy was taking over, and city governor was taking over some things. I had them turn in all the records. I told the local people to study and see how these military things should be divided. Things were moving pretty well until three weeks later and I found the Navy was not turning over the goods. I gave them specific orders within 24 hours that they were to turn everything over. Control of every single thing. I want to go to north China to start the same thing there.

M: This was not the question of the people giving it over. The difficulty was finding someone to take over. Here was the thing that he was interested in immediately, because a decision had been made and orders had been given to organize a very elaborate naval program for the movement of these troops immediately and it is a very difficult thing to delay of [*sic*] them because of the terrific pressure back home. Now when I was talking to General Wedemeyer and his staff, the divisions were earmarked for movement then things began to crop up like one blanket for every two men. I am immediately concerned as to delay of shipping. General Wedemeyer said that his trouble was that they couldn't get them to take them over. He would not have the Marines on an issue depot. It is an elaborate procedure to pick up these divisions and move them up to Manchuria to throw them away. There are shortages of blankets. These things exist in available stocks.

S: I am going up to settle that question. Regularize procedure.

M: What I am going to say is that I can't make a statement. How long will you be gone?

S: I plan to be back in week or so.

M: Have you really recovered large quantities of valuable supplies from the Japanese.

S: Largely machinery.

M: They were getting ready to move it.

S: 1,750,000 spindles of cloth were in one place.

M: Any depots.

S: Some. Quite large quantities.

M: Are you going to find the Japanese civilians trying to stay here rather than go back to their own country. You know Japan is pretty well burned out. They are going back to great hardships. The Army families did not come, did they?

S: No. One of the great difficulties in handling the Japanese is our own military strength. We send a number of divisions to watch over them, we don't have anything.

M: But you feel that you have the rice supply for next three months.

S: To middle of February.

M: Of course, it is better if we remove them right away. There is a shipping capacity of about 500,000 a month. Did you hear anything about the Philippine puppet Government.

S: They got them in Japan and took them to the Philippines.

M: You know, those fellows had quite a time. They took them to Formosa and to Japan and then we got them.

S: One of our puppets went to Japan and became a monk. When we got hold of him and brought him back a monk.

M: That's pretty good. Brought him back a monk. You know it's difficult for those fellows. They have no place to go.

S: The only place might be Spain or Argentina.

M: I don't think Spain would [agree?] to take them.

893.00/12-2645 : Telegram

*The Consul at Peiping (Stevens) to the Secretary of State*

PEIPING, December 26, 1945—9 a. m.

[Received December 26—6: 59 a. m.]

39. Peiping press reaction to Marshall's visit China stresses tremendous importance and difficulties his mission which construed as seeking resolve Nationalist-Communist conflict by peaceful means. Newspapers point out Communists must cease fighting and permit incorporation their troops into National Army. Chiang Kai-shek quoted as saying before leaving Peiping that National Government prepared to accept Truman's statement as a basis for bringing about national unity. Sent to Chungking, repeated to Department. Press insists present National Government in reality coalition government because it includes non-party members who [are] equally high in councils as party men. Sees hope in forthcoming conference with Communists at Chungking which is expected open soon. Marshall viewed as able negotiator owing his varied experience and knowledge of China.

[STEVENS]

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Secretary of State*

[CHUNGKING,] 26 December 1945.

18. Appreciate very much any information and comments from you regarding Moscow developments<sup>59</sup> which affect situation in China. Especially interested in your present personal estimate of Soviet intent in Manchuria and regarding Chinese Communists. Specifically I need all possible assistance in evaluating whether difficulties the Generalissimo reports to me in his relations with Soviet in Manchuria are purely in the pattern of our own similar difficulties in Europe or whether Soviet policy here is deliberately calculated to mitigate against an effective and unified China.

<sup>59</sup> For documentation regarding the conference of the three Foreign Ministers at Moscow, see pp. 829 ff.

Marshall Mission Files, Lot 54-D270

*Notes by General Marshall on Conference With President and Madame Chiang Kai-shek at Their Country Residence, December 26, 1945*

Following the Christmas dinner, the Generalissimo and Madame Chiang took me with the American Minister, Mr. Robertson, and the Secretary of Foreign Affairs, Dr. Wang, to the cottage on their country place. There the Generalissimo discussed several matters with me.

He asked my advice on the following:

He said that Stalin had requested him to send a representative to Moscow and he had in mind sending his son. He wanted my advice in the matter. I told him that I thought he should meet Stalin's request, but I thought it imperative that the individual selected be one who would be very direct in his dealings with Stalin or the Russian Staff.

The Generalissimo informed me that the Russians had requested him to place troops in Changchun, the capital of Manchuria, and that he had given directions to fly a division in from Peiping. He asked my opinion regarding this. I told him his decision seemed the proper one.

He made some reference to the Russian attitude in Manchuria and I outlined at considerable length the United States experience with the Russians in Germany which included the question of what constituted "war booty." I pointed out that a number of the actions of the Russians which the Chinese, the Generalissimo and Mr. Soong had talked to me as indicative of Russia's collaboration with the Chinese Communist party and Russia's maneuvers to deny Chinese control of any kind in Manchuria, were identical with the technique Russia had followed in dealings with the United States in other portions of the world. I stated that to me it was very important to determine whether or not the Russian Government was in contact with and was advising the Chinese Communist party for that I regarded it as very important to eliminate from consideration those Russian actions which were common to our procedure in any portion of the world.

I spoke to the Generalissimo regarding the serious state of affairs as to winter equipment that I had been told applied to his divisions near Kowloon and at Tientsin which were due for transfer to Manchuria; I told him that I had taken up with the War Department the question of locating winter equipment either in Alaska or the United States, or possibly in MacArthur's forces, for issue to these Chinese divisions and I told him that I had not received definite information from the United States on the subject, but had received a preliminary message which indicated the possibility that such equipment in certain amounts



could be made available on the coast of China seven weeks after the orders were given in the United States.

I also told the Generalissimo I was looking into the question of certain supplies in Burma, some 50 million dollars worth, which might be of immediate importance to the rehabilitation of China. He expressed appreciation in these matters and said that he would send two officers to see me. One to explain the situation from the Chinese point of view in Burma, and one to discuss the economic picture in China.

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Second Secretary of Embassy in China (Sprouse)  
to General Marshall*

[CHUNGKING,] December 26, 1945.

GENERAL MARSHALL: The attached letter,<sup>60</sup> together with its enclosure, is addressed to General Marshall by the Chairman of the Chinese Democratic League. The writer expresses the warm pleasure of the Democratic League at the appointment of General Marshall as the Special Envoy and Ambassador by President Truman. He welcomes the recent statements by President Truman and Mr. Byrnes explaining the "true policy of the United States toward China", coming as they did at a time when the sudden Japanese surrender brought about clashes between "Kuomintang and Communist troops" in which "the name of American troops has been involved".

The enclosed memorandum describes the establishment of the Democratic League in 1941 through the combination of six Chinese minority groups. The League asserts that it is the largest political group representing the middle classes in China and that its present aim is to "abolish one-party dictatorship in China and realize constitutional government and rule of law". The League demands the cessation of civil war, the settlement of party differences by political means, the establishment of coalition government, the convening of a representative national assembly for the adoption of a constitution and the revision of the organization and election laws governing the national assembly in order to ensure a free and fair election of the members of such an assembly. The League welcomes the presence of "Allied troops" in China for the purpose of eliminating Japanese military influence but hopes that the United States will not adopt a "partisan attitude toward the Chinese party conflicts" lest the civil war be prolonged. The League hopes for American aid in achieving peace, unity, and true democracy in China.

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<sup>60</sup> Not printed.

Marshall Mission Files, Lot 54-D270

*Notes on General Marshall's First Conference With the Democratic League, 1600, 26 December 1945*

M: Who is your spokesman?

S:<sup>61</sup> I will interpret for the League. First we want to hear from the Ambassador.

M: I am very glad to have this opportunity to meet with you here today. I appreciate your coming. You will, of course, understand that having just arrived out here I have a great deal to learn before I can have much to say. I have read a great deal of facts and details of what has occurred during the past few years and particularly the past three or four months, but I have only read—I have not listened. I repeat again that at the present time I am engaged in listening to the presentation from the various interested groups and envoys such as yourself. You must understand, of course, that I am the Special Envoy from the President of the United States to the Central Government, but that does not mean that I am not here to listen to everyone who has a genuine interest in the settlement of the various complications of this matter. That is what I am doing this afternoon with this particular group. I would like to make several comments regarding the point of view of the United States. There is no necessity, there is no particular point to my repeating the statement of policy of the U. S. Government made by Mr. Truman, so I will not recite his statements again. I do wish to say this, however, in reading the various suggestions and comments and criticisms, I am impressed with the impression that there is on the part of many a considerable misunderstanding of the situation so far as the U. S. Government is concerned. I am talking particularly with regard to the place of the U. S. Government and the feeling of the people of the U. S. during the past five years. With the people of the United States, it has not been as with you a desperate fight to maintain your homes and to maintain your livelihood in the vicinity of your homes. On the contrary, the U. S. Government and directly its people, has made a prodigious effort in the Pacific in the air and on the ground and on the sea, to destroy the power of the Japanese Government and actually did destroy that power at a great sacrifice of lives and a tremendous expenditure of money. Now that has all occurred many thousands of miles away from any American home and was the effort of the American people to secure peace in the world and particularly in the Pacific. So at the present time, not forgetting the friendship and admiration, I may say affection, through the years for the Chinese people, the primary thought, the

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<sup>61</sup> Possibly Chang Tung-sen, of Yenching University and the National Socialist Party.

primary purpose on the part of the U. S. Government is to secure that peace and see that it is not destroyed by war in Asia and in that connection I hope you have in mind and particularly in connection with the criticisms of the American troops in China that our primary purpose, our great purpose has been peace in Asia. We have no objectives of any kind whatsoever in the way of land or in the way of ground or in the way of privileges in China. So you could say, I think, that what we are doing puts us in a rather thankless position in view of our efforts and expenditures and in view of the intense desire of our people in the demobilization of our troops and in view of the things we do so many miles from home—it puts us in a rather thankless position. It is our desire for peace in Asia. Now I think we recognize the extreme difficulties of the situation, but our purpose, the purpose of President Truman, of the U. S. Government is peace in the Pacific. Otherwise, all of our great effort, and it was a very great effort and it was a determined effort, was wasted. Now I repeat again we recognize the extreme complications, the difficulties in composing the situation in China. It would seem to require a very generous attitude on the part of all and I am here to learn as much as I can of the various factors, political and otherwise in the situation. At the present time I have no opinions, I have just a directive from the President in the policy that he announced to the world. But please keep in mind in all of our discussions, and I imagine that will not be confined to this single discussion today that the concern of the U. S. Government is peace. Our efforts, our maintenance of our people here is a very difficult and a very expensive thing for us. I say again I have no opinions and I would be very glad to listen to you. I do not want to have any misunderstanding of the U. S. Government and the people and our purpose.

S: A member expresses the opinion that we fully understand the policy of the U. S. Government and also the opinion of the United States people. We fully realize that the difficulty in China arises, not in any sense from America, but from China and we take the full responsibility of the complicated situation in China. We realize that the situation at present is very complicated. We represent the opinion of the Chinese people. The Democratic League is apart from the two big parties, the Kuomintang and the Communist party and it includes various parties so this organization attempts to reflect the general opinion outside of the Kuomintang and Communist parties.

The Chairman is not here. He is an elder man and could not come.

M: I have this letter from Chang Lan and later I want to ask some questions.

S: Mr. Shang [*Chang?*] wants to express thanks to the United States for help in the past to China to defeat Japan and now in the

help to disarm Japanese for the best interests of the world, but especially for China and we understand the policy of the late President Roosevelt and at present President Truman.

We know that the General comes here with a great responsibility and we wish you all success and we wish to offer whatever information or reference we can.

The primary wish of the Chinese people as a whole is peace. It is how to avoid civil war in China. This is just the start. The U. S. people want to have peace in the world as do the Chinese, but we want not to have civil war in China. We are against the Kuomintang or Communist party who started civil war. No matter which party we were against before the war of resistance. Already we had 10 years of civil war<sup>62</sup> and the people have suffered a great deal. The people were all against that civil war.

That is the primary wish of the Democratic League which includes all the parties. That is how to stop civil war in China. The first problem is how to stop the civil war. Certain of the problems should be solved by means of political methods. We must stop the civil war first.

Professor Chan says that the first important thing is how to reduce the number of troops of China. We are looking for a way to reduce the troops in China. The best approach to the problem is to have a small committee with a small number of experts, military experts, and if possible with American experts, to solve the problem of reducing the number of troops.

M: Ask him to explain experts. I don't understand its application.

S: His idea is to organize a National Army requires a special knowledge, military knowledge, so that use a small committee for planning a National Army. In that sense, he hopes that some American experts will help China to solve the problem not only with expert knowledge, but with moral support. Reducing the number of troops in China.

M: It would seem to me not [to] be so much of the military experts' view as it was a political question of the control of the troops.

S: We quite agree with you that we must have a political way to control military force, but also we can control the force, but still reduce the number of military forces. A large part of our income is spent in maintaining an Army and as long as this situation continues it is impossible for China to recover.

M: I understand that. Where does the military expert make his contribution.

S: His idea is, of course, we want peace in China, but at the same time, we must have a national defense force—modern Army. The

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<sup>62</sup> 1927-37.

troops at present that we have are not good enough. We must reorganize the Chinese army with military experts.

The Chinese people as a whole don't want war and the reason why we have continued civil war is because the military leaders are not well educated. So we have to reorganize the troops so that we will have financial support so we can spend the part of finance in other construction work.

M: Wasn't he talking more about demobilization than reorganization.

S: His ideas included demobilization and reorganization, but after demobilization, Chinese troops have to be reorganized. At present the Kuomintang has two million troops and Communists have one million troops and two million guerrillas. This Army is not good for national defense—only good for civil war.

There seem to be three points. The first point is how we can control the Army with political control. United and democratic Army. Second point is, we ought to have a national defense force and train all these men for the service so that the standing troop number shall not be so great. Third point is, we must develop our science and industry. That is really, first of all for national defense. Modern national defense, not depending on number of the soldiers, but depending on the industry of the country, national resources and the science of the country.

WOMAN DELEGATE: May I say a few words. What I would like to say, first of all is that on behalf of the women of China, I wish to extend a warm welcome. Another thing is for the relationship between America and China—it has been a beautiful one. Especially the war just past has brought us much closer than before. You mentioned that we had misunderstood. I did misunderstand for awhile, we [*but*] since the U. S. policy was stated by President Truman, we understand now very perfectly, but there is one thing I would like to ask the Ambassador. Your President has said that our government must be democratic. Now we have our idea, but we would like to know your idea of a democratic government.

M: I must be frank to admit that there are many definitions of democracy. I assume that the Russian Government feels that it has its form of government with which we do not agree. The British democracy is more like ours and ours is more like theirs possibly than any other. Democracy in governmental form seems to take various characters, but for me and I think for the United States Government and the American people, the elemental, the fundamental requirements of democracy are free speech and freedom of peaceable assembly and a governmental structure that permits a genuine will of the people to be given effect. Now there are many practical differences which relate

to the matter of particular people and which relate to the degree of development. Your question has involved me in a discussion on which I am not a professor, nevertheless, I think I have a fair practical idea. I have been sitting in the middle of a democracy in the middle of the war and that was a very severe test. The conduct of a global war in the setting of a democracy with great political freedom and freedom of the press is a very difficult task. So to me it is a very practical proposition and its application has a great deal to do with the education of the people. Speaking frankly, I would say here in China you have a great problem in the fact that the Chinese people, as a whole when it comes to voting, have not the degree of education to make the most intelligent use of the ballot box. How you accommodate that situation to the present condition is a practical proposition. As I see it, you are in effect completing what has happened in a period of 100 years or more in a period of less than a year, or at the present moment almost months. There are roughly three steps and you have taken one and are on the verge of taking the second and on the stage on the third. We have an expression for meeting in the United States which is "off the record". Now what I am saying now is off the record and I ask you not to quote me because I never intended to enter into a discussion of the operation of democracies. I am not a professor of that, but I don't mind giving you some of my own reactions to it.

S: General, it may interest you to know that I am a Professor of Political Science. Of course, we fully appreciate your statement that a democracy can not be worked out in one day, but we must make a start. We have a lot to learn. We want to [apparent omission]. We must start on the right elementals. Free press is one of them. China has a big portion of educated people and American trained. If we have a free press, for example, we can work out a workable democracy in China, but the problem of present Chinese merely amounts to a vast group, no freedom of the press, no freedom of assembly and also we want a democracy that we can keep, so that we won't have to repeat the same experience again. We are not demanding too much, we are demanding only elementary conditions.

M: In all that I have heard since my coming from members of the various groups, in all that I have read, regarding the situation in China, it has seemed to me that in the statement of the particular desires of the general principles all say the same thing. So the problem is, what is the practical method of doing this. That is where all the disagreement arises. All say there should be but one Army and that will be the servant of the state. I find no disagreement regarding that and certainly that is a fundamental requirement if it is going to be a unified government of China. But the problem is how to accomplish that. I would say that if you had complete confidence

in the other fellow, the solution could be arrived at in the same day. We are having the same difficulties now with Russia. Half the difficulty is lack of understanding and lack of confidence. When I say we, and this is most confidential, I mean the United States. So my interest is centered on the practical proposition with these various antagonisms, these various desires for power or continued power. These various lacks of confidence or trust. How you bring about the practical proposition of unifying the Army and making it the servant of the state. The situation seems to be one of hard realities which we find so often in so many international dealings. It is very difficult in international agreement because of suspicions and of the local interest and maybe of the individual, maybe the nation, maybe the group. So my interest, at the present time is to see what the proposals are as to a practical proposition for making a fair beginning and that I think is the view of the U. S. Government. I am giving my own interpretation now, but I am quite certain now that they don't expect you to achieve the millennium in perfection in a few months, but under the present circumstances it is of imperative importance that an interim solution be found immediately. Now what is the practical method.

S: Perhaps that is the plan the PCC conference is going to follow. Stop the fighting and if we can stop fighting then we can talk. If we demand the two parties to stop military action then leave all the problems to be handled by the PCC conference, then I think each side to the conference can compromise. Give and take. The U.S. can help in stopping the war a great deal morally. They supported a great effort in the Pacific and we all know that the civil war will affect the peace in the world. You have a moral right to demand the cessation of the civil war and the Chinese people have a right to demand peace and not another civil strife. No party has any reason to continue the civil war.

M: To what importance do you attach to the PCC.

S: From our point of view really the government has more responsibility than the Communist side for we see all sides, we see how much the Communists really make. We have exchanged views with all sides including the Communist and Kuomintang and it seems to us that the Kuomintang has more responsibility in this. The failure or success of the PCC depends on how much concession the government is ready to give. If the government is so sincere in that we will have no longer a one-party dictatorship.

M: I repeat the question again how much political importance do you attach to PCC.

S: On the basis that if the government is sincere, we could make this as a machinery to solve the problem. If the government is ready

to really make use of this Consultative Council, then we attach importance to it. If it is just like the PCC then I don't think it can solve anything. This is a new one. It all depends on the government. First, stop the war, second start reorganizing to make a temporary coalition govery [*government*] and nationalize the Army and then together with the Kuomintang and all the members, plan for a national assembly which will be a prelude for a constitutional government. A lot depends we feel that there are two forces outside from the government. One is the people in the country demanding that this conference will make these things possible, and second is outside opinion, especially American. Mr. Chang attaches a great deal of importance to the PCC. Also this conference meets with the public support of China with the hope that it may accomplish something. If the PCC fails there are only two consequences, one is civil war—long civil war. If another civil war as a consequence, will lead to completions [*complications?*] in the international situation. So in view of further consequence, the Chinese people try their best to make the PCC a success.

ROBERTSON: <sup>63</sup> You asked General Marshall what was his definition of democracy. I would like to ask you what is your definition of democracy as to its practical application to the Chinese people, where they vote and so forth. What kind of application do you want to make.

S: The question of how can China have election when such a large part are uneducated is complex. I tell you that the Communists have an answer in northern China. They actually carried on an election where part of the people could not even write their names. They gave a brief historical background of each individual and they would drop beans in the barrels behind the candidates then they count the number of beans in each barrel. Democracy itself is an education. At present the Kuomintang want to call a national assembly of delegates elected 10 years ago when they had only one party that was allowed to participate in election.

M: You are describing the Democratic party in the United States in the south.

S: Now, we want something in the genuine sense of democracy—freedom of the press, freedom of assembly. There is no need of definition in that.

R: I don't think you get my point. You speak as the people of China. To me the people of China is not a group of people in China. Would you take 400 million people as an election of the people—that is 400 million people vote.

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<sup>63</sup> Walter S. Robertson.



S: We should have universal election.

M: Is that a practical proposition?

S: It may not work so well, but at least it is a start. We may not have a democracy in China for 50 years. Democracy itself is an education.

M: We have a political machine where you no [*can?*] or cannot vote according to a poll tax. That is the practical side. Now assuming that within this year everybody will cast a vote. I am not saying he shouldn't, but I am looking for the practical side.

S: The detail of the system is a matter we will discuss, we are talking elementary requirements.

M: We have been talking about the Chinese people. We have been talking about the practical problem of what to do here in the next few months. The practical, not the idealistic. We are trying to find what is the practical proposition.

S: Mr. Chang says we have been talking for a practical solution, not idealistic. Our idea is first the PCC conference will work out a plan for a coalition government and a coalition will carry out from the practical side for a national assembly and through the national assembly adopt a constitution. Our idea of coalition is a practical one. We don't expect the Kuomintang to keep up their supreme power, Kuomintang should reorganize to allow representation of different parties participating in the government. That is not very idealistic, it is a practical solution. We must have some organization that the people can have voice in and now we are seeking such an organization.

M: I think I understand that. That was my understanding when you came this afternoon. I have looked on this group as representing probably as high a knowledge of philosophies and governmental understanding as you have in China. Certainly it is the first time I have had a professor of political science work as an interpreter for me, so I am trying to penetrate the fog to find what is the practical proposition. Goes down to the province, the city, the town. It is a practical proposition, that is why I wanted to get your conception of how you are going to do that. You must have some concrete steps, I have certainly got to acquire some ideas.

S: We have been thinking of this problem for the past six months and we want to find some practical solution ourselves. We feel that if elections are possible we should have elections. If elections are impossible we have a government constituted by agreement of the parties.

R: That wouldn't represent the people. I imagine there are millions of Chinese represented by no one of the three parties. Speaking of elections, I might speak of the election held in Outer Mongolia. Do

you know how that election was run. Nobody was allowed to vote except between the ages of 18 and 45, irregardless of your condition, your intellectual ability. I wouldn't have been allowed to vote and I don't know how many here would have been allowed to vote. They voted for autonomy 100%. You call that a democratic election—I don't.

M: How many people in China does the PCC represent.

S: We represent the people as a whole. Many parties coming within one party is better than a one-man regime.

M: It would seem to me that PCC group is a very important step at the present moment. That is the impression that I have gotten so I have been much impressed to learn your reactions regarding the PCC and that is the reason I have asked so many questions.

S: The point that we are really concerned with, we expect a government that will lead to a development of a democracy, but the present government is a hindrance to the future democracy of China.

M: But on the other side, I am very much interested in hearing the practical proposition to carry out your proposition. I appreciate very much your frankness in talking to me and I must ask you again not to be quoting me as an authority on the technical definition of democracy. I am familiar with a great many of its perversions, but I think I have derived much advantage from your discussion, and I would like you to feel that I would be glad to talk to you one at time or as a group, so I appreciate very much your coming.

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893.00/12-2945: Telegram

*The Acting Secretary of State to General Marshall*

WASHINGTON, December 29, 1945—9 p. m.

2087. Secretary Byrnes returned today and left shortly after his arrival to report to the President upon his yacht. Before going, he asked me to send you his warmest greetings and tell you that he had received your message.

The conversations in Moscow, as they bore upon your mission, are well summarized in the communiqué sent you by Radio Bulletin, part IV, dealing with China,<sup>64</sup> and nothing of significance has been omitted.

It may be helpful to you to know that the Chinese Ambassador in Washington inquired whether the last sentence of section IV<sup>65</sup> should

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<sup>64</sup> For text of communiqué, dated December 27, see Department of State *Bulletin*, December 30, 1945, pp. 1027, 1030.

<sup>65</sup> Last sentence was as follows: "The two Foreign Secretaries were in complete accord as to the desirability of withdrawal of Soviet and American forces from China at the earliest practicable moment consistent with the discharge of their obligations and responsibilities"; Department of State *Bulletin*, December 30, 1945, p. 1031.

be construed in any way as modifying Mr. Molotoff's<sup>66</sup> statement that withdrawal of Soviet forces had been postponed until February first. The reply was that nothing in the communiqué nor in the discussions was intended in any way to modify the date of February first. Of course, this Government would not interpose objection to any agreement reached between the Chinese and Soviet Governments if they should mutually desire a later date.

The Secretary also asked me to say that in a conversation which he had with Generalissimo Stalin the Generalissimo spoke of you in terms of the highest admiration and respect and said that he would be strongly predisposed to agree with any recommendations regarding the Chinese situation which had your approval.

The Secretary has not yet seen your message GOLD 7 of December 29,<sup>67</sup> but I am sure he will be much heartened by it and will wish you every success in your present meetings.

ACHESON

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121.893/12-2945 : Telegram.

*General Marshall to President Truman*

CHUNGKING, 29 December 1945.

GOLD 7. MY DEAR MR. PRESIDENT: I have no definite opinion or progress to report, the following being merely an outline of my activities since arriving in China. I have requested delivery of this message directly by hand of officer in order to avoid possibility of a leak which might greatly embarrass if not hazard the success of my mission.

In the first place, I have not up to the present time made any statement of my views but have sought at great length the views of all principal parties concerned. In my latest interviews I have somewhat by implication indicated certain necessities which might enhance the prospects of successful compromises in the Chinese negotiations.

I talked at length with Generalissimo at Nanking and again Xmas Day at Chungking. He had little to say regarding Communists and much to say regarding Russians. Incidentally, I think I brought him to realize that many of the embarrassments in Manchuria were not peculiar to that problem but common to Russian procedure everywhere, citing examples.

To date he has been most friendly and I have endeavored to avoid posture of cracking the whip. Our frank talks must come later, probably within the next few days.

I have had lengthy interviews with all parties, generally from 9 A. M. until 4 or 5 P. M., including lunch—Communists, Democratic

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<sup>66</sup> Vyacheslav Mikhailovich Molotov, Soviet Commissar for Foreign Affairs.

<sup>67</sup> *Infra*.

League, Youth Movement, T. V. Soong, various Central Government officials, specialists from our Embassy, correspondents, Americans in employ of Chinese Government. All agree to leadership of Generalissimo and to high-sounding principles or desires for a more democratic government, a coalition government, a reorganized and completely nationalized Army. But the practical procedure to secure these ends, especially as to the nationalization of Army and selection of senior provincial officials are almost completely lacking. This I have plainly and emphatically indicated in my repeated questioning and blunt statements. I think I have made this point glaringly clear to all and they now appear to be struggling towards a more realistic point of view. I now have my own ideas of how to proceed in some of these matters, mainly nationalization of Army, but have not yet thought the moment had arrived to state them.

A long interview this afternoon with Government leaders rather precipitated matters. As a result, the three governmental principals involved in the Political Consultative Council meetings which it is hoped will find a basis for termination of hostilities and first steps toward coalition agreements, are to meet me tomorrow, Sunday. The Political Consultative Council has not held its first meetings, but the principal Kuomintang and Communist members met Thursday evening and the latter proposed terms for cessation of hostilities. There was another meeting scheduled for this evening at which I was told the Government would be rather uncompromising. However, apparently as a result of discussions with me today the meeting was postponed and the appointment made with me for tomorrow. I will see Generalissimo the following day, Monday.

I think I have laid the necessary basis for my more formal and intimate entry into the discussions and hope to make some progress from now on.

[MARSHALL]

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Second Secretary of Embassy in China  
(Sprouse)*

CHUNGKING, December 29, 1945.

A Communist Party representative has shown to me what he says is the Chinese text of the truce proposal submitted to the Central Government by the Communist representatives: The following is my translation of this document:

Reference is made to the last conference during which both sides (Kuomintang and Communist) discussed terms for the cessation of

civil strife without any results being achieved. Therefore, now that the Kuomintang and Communist representatives are at the present time opening discussions, the Communist Party first specially proposes to the Government an unconditional cessation of hostilities with the following three points in order to satisfy the great hopes of the people in China and abroad and to aid in the success of the Political Consultative Conference :

1. Both sides to issue orders to their troops throughout the nation and that those troops shall remain for the time being in their original (present) positions and shall cease all military conflict.

2. All questions which are related to the avoidance of civil war—such as, acceptance of surrender, disarming of enemy troops, disbanding puppet armies, the cessation of use of enemy and puppet troops, the demarcation of areas where various troops are to be stationed, the restoration of communications, the transportation of troops and liberated and recaptured areas—all these shall be decided through peaceful negotiations after the cessation of military conflict.

3. In order to ensure the complete realization of the first point and to facilitate the carrying out of the second point, a national commission composed of representatives of all circles for the investigation of civil war shall be organized under the direction of the Political Consultative Conference to proceed to every place where civil war has broken out in order to carry out investigations on the spot. This Commission shall from time to time report the real facts (of the situation) and make public such reports.

PHILIP D. SPROUSE

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Marshall Mission Files, Lot 54-D270

*Memorandum by Mr. James R. Shepley for General Marshall*

[WASHINGTON,] December 30, 1945.

GENERAL MARSHALL: The following is a suggested outline for compromise of different proposals as we have discussed it.

The three major government points in their proposal of 31 October<sup>68</sup> on which they say they stand are:

1. Cease fire.
2. Communists withdraw 10 kilometers from the railroad and railway police be established to guard the lines.
3. A government offer to consult the Communists on movements of troops into North China except along the Peiping-Mukden railroad.

The three principal Communist points presented this week are:

1. Cease fire (in which is implicit the ceasing of all troop movements throughout China, excluding Manchuria).

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<sup>68</sup> See telegram No. 1959, November 10, 11 a. m., from the Chargé in China, *ante*, p. 483.

2. Negotiations between the Communists and the government on all detailed arrangements under the truce.

3. Creation of a commission to move to the areas of conflict to investigate the situation.

The proposal as we have discussed it would be :

1. Cease fire.

2. All sides get off the railroads for 10 kilometers in North China.

3. Creation of a committee of one government representative, one Communist representative and Mr. Robertson to proceed immediately to North China to establish railway police and make recommendations to the Generalissimo on the reception of Japanese surrenders, some by the Communists, some by the Nationalists and the movement of troops incidental thereto. The understanding being that the Generalissimo would accept the recommendations of this committee.

SHEPLEY

DISCUSSIONS AT THE MOSCOW MEETING OF FOREIGN  
MINISTERS (DECEMBER 16-26) REGARDING WITH-  
DRAWAL OF SOVIET AND AMERICAN TROOPS FROM  
CHINA

740.00119 Council/11-2445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary  
of State*

[Extract]

Moscow, November 24, 1945—1 p. m.  
[Received November 24—7:15 a. m.]

3945. Late last night I delivered to Molotov<sup>1</sup> personally your mes-  
sage to him<sup>2</sup> received via Army channels. He was obviously much  
pleased at your suggestion and said that the idea appealed to him  
personally, though he would of course have to consult his Government.  
He commented "it is a good thing that Mr. Byrnes recalled that the  
three of us could meet independently", and added that he was most  
anxious to know what subjects you had in mind discussing. I told  
him I had no specific information but I assumed all open questions  
between us, mentioning the arranging for another meeting of the  
Foreign Ministers Council, Far Eastern questions, civil strife in  
China, disturbing developments in Iran, Bulgaria, etc. I said I  
assumed that each of the three secretaries might wish to make prior  
suggestions for the agenda in order that all might be prepared to  
discuss them but that in addition the meeting would be as usual in-  
formal and any one could bring up additional matters that the others  
were willing to discuss.

HARRIMAN

740.00119 Council/12-145 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, December 1, 1945—6 p. m.

2435. The following is for your information only, to keep you  
abreast of developments regarding the proposed meeting in Moscow,  
but not for communication to the Soviet Government.

<sup>1</sup> Vyacheslav Mikhailovich Molotov, Soviet Commissar for Foreign Affairs.

<sup>2</sup> Telegram No. 2382, November 23, noon, to the Ambassador in the Soviet Union,  
not printed; in this telegram, Mr. Byrnes had suggested a December meeting of  
the Foreign Ministers at Moscow (740.00119 Council/11-2345).

Since, as is explained below, Bevin<sup>3</sup> has been most unwilling to agree to the meeting, I thought it best to discuss the matter of agenda with him before making any approach to Moscow. I have suggested eight items:

- (1) The proposal for a United Nations Commission to consider the control of atomic energy.
- (2) Reconvening the Council of Ministers, including resumption of work by their deputies to prepare settlements for a peace conference.
- (3) The terms of reference of the Far Eastern Commission and Allied Council.
- (4) Establishing an independent government for Korea.
- (5) Disarming and evacuating the Japanese from northern China.
- (6) Transfer of control of Manchuria to Chinese National Government.
- (7) Evacuation of troops from Iran.
- (8) Conditions which would permit recognition of the Governments of Bulgaria and Rumania.<sup>4</sup>

I have pointed out that, as to item 1, we would hope to talk further with the British and Canadian Ambassadors regarding a common proposal before the meeting. As to item 4, I have stated that we are prepared to press for the establishment of an independent Korean Government and, if that is not acceptable, we would favor a trusteeship under the United Nations for a limited period similar to the one we suggested for the Italian colonies. Item 5 was inserted so that we could make clear to the Soviets the limited purpose of our military mission in North China and thus learn from them their own policy toward developments there. Item 8, if accepted by the Soviets, would indicate some evidence of their willingness to compromise. Our purpose would be to press for broadening of the base of the present governments with the promise of free elections as soon as foreign troops are withdrawn.

Bevin's objections are, first, that we cannot afford to have a failure and he does not believe that there is adequate time for preparation necessary to ensure success; second, he believes that inclusion of items of interest to China and France without their presence will cause difficulty; and, third, he believes the time has come to go on a United Nations basis and that the proposed meeting immediately before the first Assembly meeting will cause suspicion. This is where the matter stands today.

BYRNES

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<sup>3</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>4</sup> In Telegram No. 2461, December 6, 4 p. m., Ambassador Harriman was instructed to convey to Mr. Molotov the eight items listed above as the suggested United States agenda (740.00119 Council/12-645).



740.00119 Council/12-445

*Memorandum by the Secretary of State of a Conversation With the British Minister (Wright)*

[Extract]

[WASHINGTON,] December 4, 1945.

As to the inclusion of China, the Secretary stated that we are at present communicating with the Soviet regarding matters affecting China and that we have not felt that China should be advised at every stage of the negotiations; they have not asked it and do not expect it. China's greatest hope lies in the possibility of agreement between the U. S., Great Britain and the Soviet Union, and therefore China would not offer complaint. That being true, there would be no reason for including France.

740.00119 Council/12-745

*Memorandum of Conversation, by the Secretary of State*

[WASHINGTON,] December 7, 1945.

The Secretary telephoned the Chinese Ambassador<sup>5</sup> about 6:30 and asked him to come to the Department to see him. When the Ambassador arrived the Secretary apologized for having had the Ambassador come in the morning, at which time he had been unable to discuss the matter he had hoped to discuss. He remarked that the Ambassador by this time had probably heard the news of the plans to meet in Moscow on December 15.

The Secretary told the Ambassador that, as he would recall, an agreement had been reached at Yalta between the heads of the three Governments that their foreign secretaries would meet every three or four months to consider informally and in an exploratory way matters pending between them.<sup>6</sup> They had met at San Francisco, at Potsdam in July, again in London in September, and they felt that answered the Yalta agreement. Now another three months has passed and the Secretary, considering the number of matters pending between them, had felt it would be wise to meet in Moscow and has proposed this meeting.

The Secretary said he felt that there should be a discussion with the Russians about the atomic bomb before the opening of the UNO on January 2, that failure to have such a discussion might seriously affect the UNO.

<sup>5</sup> Wei Tao-ming.<sup>6</sup> See *Foreign Relations*, The Conferences at Malta and Yalta, 1945, pp. 968, 974.

The Secretary explained that he had hoped to release the news about the meeting this morning, but Moscow had asked that it be held up and this afternoon they had suggested a slight change and the announcement was being made this evening.

The Secretary said he thought the Ambassador would agree it would be good for all concerned if the views of ourselves and the Soviet Union on matters other than the atomic bomb [apparent omission], and until some progress is made it is difficult to resume the Council of Foreign Ministers.

The Ambassador said he felt it was very important to have such a meeting and bring harmony on certain questions. He inquired if the Secretary expected to bring about a meeting of the Council of Foreign Ministers in Moscow later on.

The Secretary said he did have such hopes and added, "I am an optimist there." He told the Ambassador that he had pressed for his proposal regarding the peace conference at London and that if an agreement could be reached on this issue the Council could immediately get into operation. He said there is a stalemate now and he does not think we should continue to drift when there are so many outstanding matters.

The Secretary remarked that in London he had stood by the Chinese and French representatives and that a lot of people believed that his insistence on their remaining caused the division—but there were many other problems.

The Ambassador wished the Secretary all success in the forthcoming meeting.

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740.00119 Council/12-845: Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, December 8, 1945—noon.

2477. Please inform Molotov that I am pleased with his agreement with our proposals regarding the agenda for the meeting of the Foreign Secretaries.

On our part we would have no objection to the transfer of our first point on the agenda—that relating to atomic energy—to the end.

It would be difficult for us to arrive at any definite understanding regarding our troops in China in the absence of representatives of the Government of China. If satisfactory to you and Mr. Bevin, we should be glad, however, to have an informal exchange of views on the withdrawal of allied troops from all independent states other than Japan and Germany.

It is understood, of course, that the final agenda will be drawn up by mutual agreement when we meet.

BYRNES

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740.00119 Council/12-845 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, December 8, 1945—10 p. m.

[Received December 8—4:44 p. m.]

4104. In my talk with Molotov this afternoon he expressed himself as entirely satisfied with release and timing of it<sup>7</sup> and hoped that you were equally satisfied. He asked whether he should invite Mr. Bevin or whether you in your discussions with Bevin had already covered this point. This led to discussion of what Molotov described as the lapse of over a week in your correspondence with him. I explained to him Bevin's hesitance in agreeing to the meeting because of his concern over difficulties with French. This necessitated the exchange of number of messages between you and Bevin. I added that when you finally obtained Bevin's agreement you were fearful of leaks and therefore wished the release made at once so as to avoid harmful speculation and discussion. He seemed to be satisfied with my explanation and then asked whether you thought he should send a message to Bevin. I told him that I was sure you would think it appropriate for him to invite Bevin or at least express his gratification that he agreed to come. Molotov showed his good humor by saying "In any event my invitation to Bevin will not come as a surprise."

Molotov asked whether I had a reply from you to his letter of yesterday re the agenda. I replied that I expected to hear from you within the next day or two. When he pressed me for my opinion on what I thought your attitude would be in regard to his suggestions I answered:

1. That I felt sure you would be prepared to discuss control of atomic energy at any time during Conference that he might wish.

2. That I believed you would be quite prepared to discuss mission of American troops in China.

3. That question of British troops in Greece was after all primarily British matter.

I, of course, made it plain that I was making these comments only because he asked for my personal opinion. I have always tried to

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<sup>7</sup> Statement to the press on December 7; see Department of State *Bulletin*, December 9, 1945, p. 935.

encourage this type of discussion as the Soviets are so reluctant to do so.

Molotov then asked me for clarification of point 5 of your proposals, namely the disarming and evacuation of Jap troops in North China. He asked whether you had in mind Manchuria and explained that all Jap troops had been disarmed in that area. He inquired with some surprise whether there were really any Jap troops still in North China who had not been disarmed. I replied that I had no detailed information but that as he knew there had been conflict between Communist and National Government forces in North China and that the disarming and evacuation of Jap forces in this area was the reason for presence of our troops. I said I believed that you would be glad to explain situation to him in detail and to obtain from him his views on developments there. He seemed to be puzzled by point 5. Perhaps it would be clearer if it had been worded to include general situation in North China.

I asked Molotov whether he had any further suggestions for agenda. In reply he said he had none at the moment as he wished to hear from Bevin first and pointed out that you had suggested that final agenda should be mutually agreed upon after your arrival in Moscow. As is his custom he gave me impression that he wanted to see all suggestions before he committed himself.

On leaving I inquired whether Generalissimus Stalin<sup>8</sup> would be back to Moscow before meeting closed as I felt sure you would be anxious to pay your respects to him before leaving. He said that he would communicate this to Generalissimus Stalin and let me know.

HARRIMAN

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Moscow Embassy Files, Lot F-96

*The Ambassador in the Soviet Union (Harriman) to the Soviet Commissar for Foreign Affairs (Molotov)*

Moscow, December 9, 1945.

DEAR MR. MOLOTOV: I transmitted to Mr. Byrnes your letter to me of December 7<sup>9</sup> concerning the agenda, and I have just received a reply. Mr. Byrnes asks that I inform you that he is pleased with your agreement to his proposals for the agenda. He states that he would have no objection to the transfer to the end of the agenda of his first point, namely, that relating to atomic energy.

Mr. Byrnes asks me to point out that it would be difficult for the United States to arrive at a definite understanding regarding Amer-

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<sup>8</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

<sup>9</sup> Not found in Department files.

ican troops in China in the absence of representatives of the Chinese Government. However, Mr. Byrnes will be glad, if it is satisfactory to you and Mr. Bevin, to have an informal exchange of views on the withdrawal of Allied troops from all independent states other than Germany and Japan.

Mr. Byrnes of course confirms the understanding that the final agenda will be drawn up by mutual agreement when the three Foreign Ministers meet in Moscow.

Sincerely yours,

W. A. HARRIMAN

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740.00119 P.W./12-1045 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, December 10, 1945—noon.

2482. Point 5 of our proposals—namely the disarming of Japanese troops in North China—was not directed to the Manchuria situation which is covered by Point 6. In North China, excluding Manchuria, according to our information there are more than 300,000 Japanese troops which have not been evacuated and only a little more than half of them have been disarmed. Their disarmament and evacuation have been delayed and complicated by civil strife. We simply want to advise Molotov of the status of affairs and of the reasons why we have not been able to remove our troops.

BYRNES

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Moscow Embassy Files, Lot F-96

*Minutes of the First Formal Session of the Moscow Conference of  
Foreign Ministers*

[Extracts]<sup>10</sup>

SPIRIDONOVKA, December 16, 1945.

1. THE AGENDA, ETC.

MR. MOLOTOV then raised the question of the Conference agenda, pointing out that Mr. Byrnes, as the sponsor of the conference, had proposed an agenda of eight items. Mr. Molotov stated that in the opinion of the Soviet Delegation the first item on the agenda proposed by Mr. Byrnes should be placed at the end of the agenda and that two additional items should be inserted after item five.

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<sup>10</sup> Omitted portions deal with items discussed other than China.

MR. MOLOTOV stated that the British Government had contributed its observations with regard to the proposed agenda and that Mr. Bevin had objected to discussing the question of withdrawing British troops from Greece. He added that Mr. Bevin had also made observations concerning economic collaboration in Europe without however proposing the inclusion of this topic in the agenda. Mr. Molotov stated further that Mr. Byrnes had objected to the proposal of the Soviet Government to discuss the withdrawal of American troops from China.

MR. BYRNES stated that there must be a misunderstanding in this matter as he had no objection to discussing the question of American troops in China, but on the contrary, would be very glad to discuss it.

MR. MOLOTOV maintained that Mr. Harriman's letter<sup>11</sup> in this connection had replaced the question of withdrawing American troops from China by the question of withdrawing Allied troops from all independent states except Germany and Japan.

MR. BYRNES at this point read aloud relevant excerpts of Mr. Harriman's letter (see enclosure no. 1). Mr. Byrnes stated further that although he did not wish to arrive at a final understanding with regard to United States forces in China in the absence of a representative of the Chinese Government, he would be glad to discuss this question informally and also to discuss the withdrawal of Allied troops from all independent countries. With regard to Mr. Molotov's suggestion that the first item on the agenda submitted by Mr. Byrnes should be placed at the end of the agenda, Mr. Byrnes stated that he had no objection to this.

MR. MOLOTOV then stated that the Soviet Government proposed to add to the agenda the following two questions:

1. The withdrawal of American troops from China, and
2. The withdrawal of British troops from Greece.

He stated further that the Soviet Delegation believed it necessary to receive information concerning developments in Indonesia and informally to exchange views on this topic. He stated that the Soviet Delegation, therefore, proposed to add the Indonesian situation to the agenda.

With regard to item six of Mr. Byrnes' proposed agenda, concerning the transfer of control over Manchuria to the Chinese National Government, MR. MOLOTOV stated that this question might be removed from the agenda since the Soviet Government had a special agreement with

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<sup>11</sup> Of December 9, p. 834.

the Chinese Government concerning Manchuria<sup>12</sup> and since there were no differences of opinion between the Soviet and Chinese Governments on this score. He, therefore, saw no reason why the Manchurian question should require special consideration.

MR. BYRNES stated that although the presence of United States troops in North China was covered by the surrender agreement,<sup>13</sup> he had no objections to discussing this subject and would be glad to provide his colleagues with full information concerning it. He stated that his colleagues were entitled to be thoroughly informed concerning American actions in China and that he desired them to have this information. This, he said, applied to his desire to discuss the withdrawal of Allied troops from all states.

MR. BYRNES stated that if Mr. Molotov's suggestion with regard to Indonesia was based upon the inclusion by Mr. Byrnes of Manchuria on the agenda, he wished to point out that he had included Manchuria not in order to provoke a discussion of the conduct of the Soviet Command but purely to obtain information concerning the situation in Manchuria. He added that if Mr. Molotov so desired, he would be willing to withdraw the question of Manchuria from the agenda. He stated that this was particularly the case in view of Mr. Molotov's statement that the USSR was working harmoniously with the Chinese Government in regard to Manchuria. He stated that he desired to advise his colleagues of the situation in North China and had also desired to inquire about the situation in Manchuria, in which all sides were interested, but that the question of Manchuria could be withdrawn if Mr. Molotov so wished.

With regard to the question of the transfer of the control of Manchuria to the Chinese National Government, MR. MOLOTOV repeated that the Soviet Government had an agreement with the Chinese National Government concerning Manchuria. He stated further that the Soviet Command had worked out a plan of evacuation under the terms of this agreement in accordance with which the Soviet evacuation of Manchuria would have been completed by December 3. The Soviet Command had proceeded with the evacuation and had already evacuated southern Manchuria when the Chinese Government in the middle of November had requested that the evacuation be suspended for a period of one month, to which the Soviet Government had agreed.

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<sup>12</sup> For text, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 592; for documentation, see *post*, pp. 851 ff.

<sup>13</sup> Apparently a reference to General Order No. 1; see directive by President Truman to the Supreme Commander for the Allied Powers in Japan (MacArthur) on August 15, *ante*, p. 530.

The Chinese Government had recently approached the Soviet Government again with the request that the evacuation be suspended until February 1st and this further proposal was now under consideration. Mr. Molotov concluded that the Soviet Government had neither misunderstandings nor differences of opinion with the Chinese Government on this question and accordingly he saw no reason for its inclusion in the agenda. With regard to the withdrawal of United States troops from North China, Mr. Molotov inquired whether he was correct in assuming that Mr. Byrnes did not object to the inclusion of this topic on the agenda and to an informal exchange of views upon it.

MR. BYRNES stated that he was in agreement with this.

MR. MOLOTOV stated that with regard to Greece, he believed that the Ministers were fully entitled to have an exchange of views. He stated that if the withdrawal of our troops from Iran were to be discussed, he saw no reason why the withdrawal from Greece and China should not also be discussed.

MR. BYRNES suggested that the questions of evacuating troops from Greece, Iran and Indonesia be eliminated from the agenda but be discussed informally.

MR. MOLOTOV remarked that the agenda would be somewhat shorter in view of this and inquired whether agreement had been reached that the question of Manchuria should also be deleted from the agenda.

MR. BYRNES and MR. BEVIN agreed that Manchuria should also be deleted.

MR. MOLOTOV summed up the items which had been agreed upon as constituting the agenda :

- (1) The reconvening of the Council of Foreign Ministers and the resumption of the work of their deputies.
- (2) The terms of reference of the Allied Council and FEC.
- (3) The creation of a unified administration for Korea looking toward the establishment of an independent Korean Government.
- (4) The disarming of Japanese armed forces in North China and their evacuation to Japan.
- (5) Conditions permitting the recognition of the present governments of Roumania and Bulgaria.
- (6) Proposals concerning a United Nations Commission for consideration of the control of atomic energy.

MR. MOLOTOV stated that he would proceed to the first item.

## 2. PRELIMINARY DISCUSSIONS

MR. BYRNES said that he had a statement which had been made by the President during the last day or so regarding the presence of



American troops in North China<sup>14</sup> (enclosure No. 5). He proposed that the other delegates take this statement for consideration and that it be discussed at tomorrow's session.

MR. MOLOTOV expressed gratification to Mr. Byrnes for the document and terminated the session at 7:10 p. m.

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Moscow Embassy Files, Lot F-96

*Statement Circulated by the Secretary of State Among the Three Foreign Ministers*

[Moscow, December 16, 1945.]

President Truman has announced and I have stated to the press on a number of occasions that American Marines are in North China for the purpose of assisting the Chinese Government in the demobilization and deportation of Japanese troops in North China in accordance with the Terms of Surrender. We have assumed a responsibility in this respect which we feel obliged to discharge in the interest of international peace as well as of internal stability in China. One of the causes that brought us into war against Japan was our refusal to accept the position of Japan in China—our refusal to compromise the principle of the territorial and administrative integrity of China.

Our Marines will be withdrawn when they are no longer required for the purpose stated. We hope that will be soon. There are something over 50,000 of them in North China now. This represents a small reduction from the original number. There are in North China some 325,000 Japanese troops. Over half of these have been disarmed but their deportation from China has been slow due to a shortage of shipping. We are making plans for a considerable increase in shipping facilities which will make possible a much more rapid deportation of Japanese—civilians as well as troops—from China.

The President has recently sent General Marshall to China as his special representative.<sup>15</sup> We recognize that internal conditions in North China, arising out of differences between the Chinese Government and dissident political factions in China, constitute a serious impediment to carrying out the Terms of Surrender and in particular to the demobilization and deportation of Japanese. In view of this situation we are very anxious that the differences which exist between the National Government and the dissident political factions be settled by methods of peaceful negotiation having as its objective the

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<sup>14</sup> For President Truman's statement of United States policy towards China on December 15, see p. 770; for Secretary Byrnes' summary of this statement, see *infra*.

<sup>15</sup> See pp. 745 ff.

broadening of the base of the present National Government of China to provide fair and effective representation to the principal political elements in China. The primary objective of President Truman in sending General Marshall to China is that he exert his influence to bring about discussion and agreement among the various political elements and, concurrently, to arrange for a truce between the opposing Chinese military forces in North China. The arrangement of such a truce would facilitate and speed the demobilization and deportation of Japanese troops from China and hasten the day—which we sincerely hope will be soon—when the American Marines will be returned to the United States from China.

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Moscow Embassy Files, Lot F-96

*Minutes of the Second Formal Session of the Moscow Conference of Foreign Ministers*

[Extract <sup>16</sup>]

SPIRIDONOVKA, December 17, 1945.

4. THE DISARMING OF JAPANESE IN, AND THEIR EVACUATION FROM, NORTHERN CHINA

MR. BYRNES stated that he had circulated at the previous session a statement concerning the United States Marine Forces in North China. Furthermore, a statement had been issued by the President last Sunday morning further clarifying this problem. Mr. Byrnes circulated the latter statement <sup>17</sup> (enclosure No. 3).

MR. MOLOTOV said that it would be necessary to study Mr. Byrnes' document.

MR. BYRNES replied that he had no objection whatsoever. The paper which he had just circulated contained no proposal but was merely a statement of the situation. It set forth what the United States forces were doing in North China and what the President had announced was United States policy there. When Mr. Byrnes had stated that he wished to discuss this subject, it had been his intention to furnish a statement along these lines. Mr. Byrnes was following what he regarded as the purpose of the Conference—that of exchanging views on questions of common interest. He wished to advise his colleagues as to the situation and as to the United States policy in China.

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<sup>16</sup> Omitted portions deal with agenda items other than China.

<sup>17</sup> President Truman's statement of December 15, p. 770.

MR. MOLOTOV stated that the documents which Mr. Byrnes had submitted dealt with a question which he believed it would be useful to discuss at the present Conference. He wished to have an opportunity to study these documents.

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Moscow Embassy Files, Lot F-96

*Memorandum of Conversation Between the Three Foreign Ministers*

SPIRIDONOVKA HOUSE, MOSCOW, December 19, 1945.

THE SECRETARY said that this was the first of the informal restricted meetings which had been agreed to be held on questions not formally on the agenda. He said that in regard to North China he had proposed this item in order to give an opportunity for the three of them to discuss both the situation in North China and that in Manchuria primarily to make sure that each understood what the other was doing since our objectives were identical. At Potsdam the three Governments had agreed as to the Cairo Declaration and subsequently as to the Potsdam Declaration, which was to the effect that the Chinese Government would receive the surrender of Japanese troops and that stolen Chinese territory would be restored to China. The Secretary said that two weeks ago in Washington the Chinese Ambassador had told him of the troubles they were having in regard to revolutionists in China. He said he called them revolutionists since he remembered Generalissimo Stalin telling the President at Potsdam that they were not communists. He added that the information which Mr. Molotov had given him two days ago concerning the Chinese request that the Soviet Government leave its troops in Manchuria until February 1 had made clear the present situation in Manchuria.

MR. MOLOTOV answered that the Chinese Government had first proposed in October that Soviet troops be left until January 1 but for technical reasons connected with their movements it had been agreed to leave them until February 1. He said that had it not been for this Chinese request, Soviet troops would now have been completely out of Manchuria. As it was, they had evacuated southern Manchuria.

THE SECRETARY said that in North China the situation was complicated. There were 300,000 Japanese troops which had not yet been disarmed and that the Chinese National Government did not have sufficient troops on the spot to do this. He said that under the various agreements to support the Central Government they had all agreed that the forces of Chiang Kai-shek would take the surrender. He said our desire was to have these troops disarmed and evacuated to Japan as soon as possible and at the same time to avoid interference

in China's domestic affairs. One difficulty was the shortage of shipping, but we hoped to obtain additional ships and speed up the evacuation of the Japanese. He said the other difficulty was that the revolutionist or communist forces in North China were in between the nationalist forces and the 300,000 Japanese he had spoken of. In addition, while not organized into regular armies, the revolutionists numbered some 400,000. Chiang Kai-shek had only 100,000 in the area. This was caused by the fact that Chiang Kai-shek had sent troops to Manchuria and needed some time in order to assemble and move to North China additional forces. It was for this reason that the United States was leaving its marines in North China. The Secretary said that General Marshall's instructions were first to attempt to get a truce agreed upon in North China between the nationalist forces and the revolutionists. If this could be done, then our marines could go inland to the railroad, disarm and evacuate the Japanese without risk of becoming involved in fighting between the Chinese factions. To attempt to do it without a truce would merely mean that the revolutionary forces, being nearer the railroad and the Japanese forces than the nationalist forces, would move in and occupy these areas before the nationalist troops could get there, thus cutting Chiang Kai-shek's communications with Manchuria and setting the stage for a large-scale civil war. He said that if the truce were possible, General Marshall would then attempt to use his influence and the influence of the United States on Chiang Kai-shek to bring about a basic agreement concerning communist representation in the Government, which would permit of a unified government for China. If no truce could be arranged, the other alternative would be to fly in nationalist troops over the heads of the revolutionists and let them disarm the Japanese and occupy the railroad.

MR. MOLOTOV said he found it very abnormal that four months after the surrender there were still fully armed Japanese troops.

THE SECRETARY pointed out that under the various agreements Chiang Kai-shek was to take the surrender but that his forces in the area were physically too weak to do so and also were, according to the Central Government, being prevented by the revolutionary forces. He said that according to our information the Japanese were quite prepared to surrender but would surrender only to Chiang Kai-shek's forces or to United States forces.

MR. MOLOTOV said that he did not see how it could be tolerated that Japanese forces were still in being and asked Mr. Bevin's opinion on that.

MR. BEVIN replied that he had not studied all the details of the North China situation but that in general he felt that while local disturbances interfered with the prompt execution of the Japanese

surrender, our three powers should use their influence to overcome these disturbances in order to permit the carrying out of the main objectives connected with the Japanese surrender.

THE SECRETARY pointed out that when we had all agreed to support the Government of Chiang Kai-shek, it was difficult to do something that would impair his position in China and make certain a large-scale civil war. He mentioned in this connection that Generalissimo Stalin had stated that Chiang Kai-shek was the only Chinese leader in sight and that there were no other elements that could hope to bring about the unity of China.

MR. MOLOTOV replied that it was without question that we had all agreed to support Chiang Kai-shek and that the Soviet Union had embodied this in writing in its agreements with China. He said, however, that he felt Chiang Kai-shek's Government exaggerated the strength of the communist forces in Manchuria and in North China and that they really did not wish to do any fighting themselves but preferred to have others do it for them. He said that that was a well-known Chinese practice. He concluded by saying that they should discuss the situation in North China again as he wished to study it in more detail. The Secretary's statement, however, had made the main point clear.

THE SECRETARY inquired whether Mr. Molotov had anything to add to his information concerning Manchuria.

MR. MOLOTOV replied he thoroughly agreed with Mr. Byrnes that we should exchange information and verify that our positions were in harmony. He repeated that except for the Chinese request the Soviet forces would have already left Manchuria in accordance with the published treaty with China. He repeated that it was the Soviet policy to support Chiang Kai-shek and that they were adhering to that policy. They were leaving their troops in Manchuria at China's request so that Chiang Kai-shek's forces would have time to get into Mukden and Changchun. He repeated his statement that he felt that the number of non-government or communist forces had been exaggerated in order to have others do the work for them. He said he felt this was also true in regard to North China.

THE SECRETARY replied that according to our information the communist forces in North China were considerably larger, as he had stated, than the Government forces.

MR. MOLOTOV said that they could discuss this question again but he felt some way must be found to disarm and remove the Japanese as soon as possible. He felt that eight years of war should have been long enough for Chiang Kai-shek to learn how to handle Japanese, particularly after the latter had capitulated.

THE SECRETARY again stated that General Marshall would attempt to persuade Chiang Kai-shek to make a proper agreement with the communists as the best method of avoiding large-scale civil war and bringing about a unified China.

MR. MOLOTOV stated that the United States was in the best position to know the intentions and plans of Chiang Kai-shek's Government. The only question was whether Chiang Kai-shek really desired to settle his internal problems.

THE SECRETARY replied that he thought he did, but on his own terms.

In reply to a question from Mr. Molotov THE SECRETARY stated that General Marshall was even more of a statesman than he had been a military man and that we could have found no better person for this difficult task; that he was there as a special representative of the President and not an Ambassador.

[Here follows a discussion of other agenda questions.]

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740.00119 Council/12-2145

*Memorandum by the Soviet Delegation at the Moscow Conference of Foreign Ministers*

Up to the present time on the territory of China, according to information at the disposal of the Soviet Government, there are up to 500,000 non-disarmed Japanese troops with officer corps and staffs. This appears to be a violation of the terms of surrender approved by the Allied Powers.

In President Truman's Declaration of December 15, 1945 on American policy with respect to China and in the memorandum of the Secretary of State, Mr. Byrnes, of December 16, 1945, it is stated that American troops and marines are in China. Along with this it is stated that American armed forces, brought to China for the purpose of disarming the Japanese troops, will remain there in order fully to eliminate Japanese influence and to bring about the stabilization of the internal situation in China. But the dates of disarmament of the Japanese troops and the evacuation from China of the armed forces of the USA are not indicated. At the same time, it is known that Japanese troops are being drawn into north China to participate in military operations on the side of the troops of the Chinese Government against non-government Chinese troops, and thus Japanese forces are being drawn into the struggle between different portions of the Chinese people.

The Soviet Government adheres to a policy of non-interference in the internal affairs of China. It believes that the interference of foreign troops in the internal affairs of China is leading to an aggravation

of the internal-political struggle and complicates the situation in China. Since this is a question of Japanese troops in a zone where the disarming of these troops, according to General MacArthur's order no. 1, approved by the four powers, should be carried out by the troops of the Chinese Government, it is necessary that the Chinese Government urgently take appropriate measures. The task of disarming the Japanese troops in this zone should not be assigned to any other foreign troops.

Supporting the policy of non-interference in the internal affairs of China, the Soviet Government rigidly limits the tasks and time of the presence of Soviet forces in Manchuria to the framework of the agreement which it has with China in regard to Manchuria. In accordance with this agreement Soviet troops in due time disarmed all the Japanese troops in Manchuria and evacuated them as war prisoners to Soviet territory, and in the month of November the evacuation of Soviet troops from Manchuria in accordance with the plan communicated to the Chinese Government was begun. Soviet troops had already been evacuated from southern Manchuria when the Chinese Government requested the Soviet Government to postpone for one month the evacuation of Soviet troops from Manchuria. The Soviet Government agreed to this, and halted the evacuation of the Soviet troops which had begun.

Since the United States of America also has its troops in China, the Soviet Government believes that it would be right for the Governments of the Union of Soviet Socialist Republics and the United States of America to arrive at an understanding between themselves on the simultaneous evacuation of their troops from China, this to be completed in any event no later than the middle of January 1946. As regards the internal problems of China, the Soviet Government believes that these tasks should be decided by the Chinese people itself and its Government without interference from other states.

[Moscow,] December 21, 1945.

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Moscow Embassy Files, Lot F-96

*Memorandum of Conversation Between the Three Foreign Ministers*

[Extract]

KREMLIN, MOSCOW, December 23, 1945.

3. NORTH CHINA

Mr. Molotov asked the Secretary if he had anything further to say on north China in the light of the Soviet memorandum of December 21.

THE SECRETARY said that he had discussed this question three times with Mr. Molotov and he had submitted a paper on the subject and also sent Mr. Molotov a copy of the President's statement. He felt he had nothing to add. He did note, however, that the Soviet memorandum to which Mr. Molotov referred revealed that his statements both in writing and orally had not cleared up Soviet misunderstandings. For example, it was stated in the Soviet memorandum that American troops would remain in China in order to restore stability in that country. This was not true since the American troops would be removed as soon as the problem of the disarming of the Japanese had been settled. He had explained in great detail why this was a complicated question and might take some time, but the United States felt that it was its duty to carry out this task and to help Chiang effect a surrender of these Japanese forces. He pointed out that the Japanese surrender had placed the responsibility upon the Soviet Union for the surrender of Japanese troops in Manchuria and on the Chinese Government for those in north China. Chiang Kai-shek had asked for patience and more time in order to carry out his responsibility and the United States Government was prepared to be patient with a friendly and Allied government. He said that in the last analysis if the Chinese Government was unable to do this it would then devolve upon the United States to do it with their own forces. He had also explained to Mr. Molotov the difficulty in regard to shipping and the efforts we were making to expedite the evacuation of the Japanese. He said the United States was doing all it could and he had explained everything in detail to Mr. Molotov.

MR. MOLOTOV said that they were interested in a fixed date for simultaneous evacuation of both Soviet and United States forces from China.

THE SECRETARY stated that he could not agree on a fixed date since it was not at all certain how much time would be required to complete the task of disarming the Japanese. He pointed out that the Soviet Union had admittedly on China's request already postponed twice the date of the evacuation of Soviet forces from Manchuria. He did not wish on behalf of the United States to fix a date and then subsequently have to change it. He said that if the date were fixed in the middle of January as the Soviet Delegation proposed it would mean that our troops would leave China while there were still over 200,000 armed Japanese in the area. This should be clear to Mr. Molotov since he had explained that we could only move 3,000 Japanese a day. He said that when Mr. Molotov had explained to him the reasons why Soviet forces were still remaining in Manchuria he had accepted these explanations in full faith and he must request Mr. Molotov to accept in like manner the explanations of the United States.



MR. MOLOTOV said that he was asking merely for a time limit on the disarming of the Japanese and not for their evacuation to Japan. That admittedly would take a longer time. He said that forces of both countries were there by Chinese request but that what he was interested in was an agreement for simultaneous withdrawal within a fixed period. He said they wished to get their troops back as soon as possible and not leave them unnecessarily in Manchuria.

THE SECRETARY replied that if the Soviet Union were remaining in Manchuria to disarm the Japanese there would be no question of the necessity of their remaining there until this was completed, but it was a different matter when they were remaining there solely by request of the Chinese. He repeated that we did not desire to interfere in Chinese affairs and for that reason our Marines had not gone into the interior, which would have involved them in the fighting between the two Chinese factions. He repeated that the United States could not reject the request of its friend to be granted more time in order to arrange for the disarming of these Japanese troops by the forces of the Central Government.

MR. MOLOTOV asserted that the Japanese were not resisting disarming and that the Soviet Government felt that the disarming of these Japanese forces could not be delayed. The question of evacuation was a definite question which would obviously take longer. He said their information was that there were 500,000 Japanese troops in north China.

MR. MOLOTOV pointed out that the presence of American forces in north China was a new development and one which had not been contemplated when the Soviet Government signed its agreement with China.

THE SECRETARY replied that he did not see what the presence of the United States troops in China had to do with the Soviet-Chinese agreement.

MR. MOLOTOV again suggested that they agree on a date for simultaneous withdrawal, if not the middle of January, then some later date. He said that he felt that the task of disarming the Japanese was as complicated as the Chinese claimed.

THE SECRETARY said that he believed that Mr. Molotov was asking these questions merely because he liked the sound of his (Mr. Byrnes') voice.

MR. MOLOTOV replied that he found Mr. Byrnes' voice very pleasant but even more pleasant would be an agreement for the simultaneous withdrawal of troops.

THE SECRETARY said that he had explained in great detail and at length the position of the United States Government. He said that we were supporting the Central Government and so was the Soviet Union and it would, therefore, not be in accordance with our common policy to do anything which would place the Central Government in a more difficult position. He said that it was our desire to see a unified China and he hoped that the Soviet Government would cooperate in the furtherance of that aim.

MR. MOLOTOV replied that the aim of the Soviet Union was identical with that of the United States Government on this question.

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Moscow Embassy Files, Lot F-96

*Memorandum of Conversation Between the Secretary of State and  
Generalissimo Stalin*

[Extract]

THE KREMLIN, MOSCOW, December 23, 1945.

5. NORTH CHINA

THE SECRETARY said he had talked at considerable length with Mr. Molotov concerning our troops in North China, but he felt that it was still not clear to the Soviet Government.

STALIN inquired why the United States did not wish to remove their troops from North China.

THE SECRETARY replied that on the contrary, we would like to have them leave tomorrow if possible but that for the reasons he had explained to Mr. Molotov we had certain obligations and there were also certain circumstances which made that difficult.

STALIN replied that the Soviet Government would have no objection if the United States wished to leave its troops, but they would merely like to be told about it.

THE SECRETARY said he recalled at Potsdam the Generalissimo had expressed his opinion to the press and to himself that Chiang Kai-shek's was the only possible Government in China, that the Communists were not real Communist, and that the United States had been supporting Chiang Kai-shek in accordance with what he understood was the agreed policy of both countries.

STALIN said that they had a treaty to that effect with Chiang Kai-shek's Government.

THE SECRETARY explained the situation in North China and the difficulties caused by the weakness of the National Government forces and the presence of large numbers of armed Communists surrounding the area where the still armed Japanese forces remained. He explained that General Marshall was going to attempt to arrange a truce between these forces in order to permit the prompt disarming of the Japanese forces in that area. He assured the Generalissimo that the United States had no desire whatsoever to interfere in the Chinese internal struggle but that we did not wish to do anything which would worsen the situation of the Central Government which we had all agreed to support.

STALIN said that if the Chinese people became convinced that Chiang Kai-shek was depending on foreign troops, he would lose his influence. Chiang Kai-shek apparently does not understand this, but the three Governments should understand it for him. It would be much better for Chiang Kai-shek to rely on his own forces, but if we desired to help Chiang Kai-shek we should not give him help in such a manner as to destroy his authority with the Chinese people.

THE SECRETARY explained that although General Marshall was prepared to make ships and even planes available in the event of necessity to have United States forces disarm the Japanese, he was not going to tell Chiang Kai-shek of these preparations since it would make him less desirous of reaching an understanding with the Communists.

STALIN said he thought that the size of the Communist forces had been greatly exaggerated by the Chinese Government. He said all Chinese were boastful and tended to exaggerate both the size of their own forces and those of their opponents. He inquired where the army of a million and a half was which Chiang Kai-shek was supposed to have.

THE SECRETARY said we would like to know also, but according to our reports there were only 50,000 Nationalist troops in the North China area. He outlined the position of these troops in relation to the Japanese forces and the Communist forces along the railroads in North China.

STALIN said that in his view 50,000 troops were sufficient to disarm the Japanese. For example, 25 Soviet aviators had taken the surrender of two Japanese army corps in Mukden. He inquired as to the size of the Communist forces in the Tientsin area.

THE SECRETARY replied that Mao<sup>18</sup> claimed to have 600,000.

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<sup>18</sup> Mao Tze-tung, Chairman of the Central Committee of the Chinese Communist Party.

STALIN laughed heartily and repeated his assertion that all Chinese were boasters.

In conclusion THE GENERALISSIMO expressed the greatest confidence that if any man could settle the situation it would be General Marshall whom he regarded as one of the few military men who was both statesman as well as soldier.

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[For section IV of the Communiqué on the Moscow Conference of the Three Foreign Ministers, which deals with China, see Department of State *Bulletin*, December 30, 1945, page 1030.]

## SINO-SOVIET RELATIONS

### I. INTEREST OF THE UNITED STATES IN THE NEGOTIATION OF THE SINO-SOVIET TREATY OF AUGUST 14, 1945; ATTEMPTS BY THE UNITED STATES TO OBTAIN A PUBLIC REAFFIRMATION OF THE OPEN DOOR POLICY

761.93/2-445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 4, 1945—2 p. m.  
[Received February 4—2 p. m.]

167. On February 2 in conference with Chiang Kai-shek<sup>1</sup> and Soong<sup>2</sup> they repeated to me that Soviet Government has advised that they would receive Soong as personal representative [of] Generalissimo latter part of February or first of March. A tentative agenda for conference suggested as follows:

- (1) Establishment of closer and more harmonious relations between China and Soviets;
- (2) Suggest USSR join war against Japan immediately after victory in Europe;
- (3) Amicable discussions concerning postwar position of Korea and Soviet use of Manchurian port;
- (4) Sino-Soviet postwar economic relations;
- (5) Discussion of program to guarantee peace between Soviets and Chinese [on] both sides Sino-Soviet border.

This suggestion of agenda is top secret. I am conveying same to you with the request that you advise me of any changes you desire in the agenda or any suggestion you wish to make.

Chiang and Soong discussing problems of forthcoming Sino-Soviet conference with me in complete candor. They desire cooperation and suggestions.

In connection with this situation, bear in mind early last September Harriman,<sup>3</sup> Nelson<sup>4</sup> and myself conferred with Molotov<sup>5</sup> on Soviet's attitude<sup>6</sup> toward Communists in China believing that understand-

<sup>1</sup> Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>2</sup> T. V. Soong, Acting President of the Chinese Executive Yuan and Minister for Foreign Affairs; he became President of the Yuan on May 31, 1945.

<sup>3</sup> W. Averell Harriman, Ambassador in the Soviet Union.

<sup>4</sup> Donald M. Nelson, Personal Representative of President Roosevelt to President Chiang Kai-shek.

<sup>5</sup> Vyacheslav Mikhailovich Molotov, Soviet Commissar for Foreign Affairs.

<sup>6</sup> See telegram No. 3328, September 5, 1944, midnight, from the Ambassador in the Soviet Union, *Foreign Relations*, 1944, vol. VI, p. 253.

ing of same essential to settlement of Chinese Communist and National Government controversy. Molotov stated roughly as follows: (1) So-called Chinese Communists are not in fact Communists at all; (2) Soviet Government is not supporting Chinese Communists; (3) Soviets do not desire dissensions or civil war in China; (4) Soviets complain of Chinese treatment of Soviet citizens in China but frankly desire closer and more harmonious relations with China.

Soviet attitude outlined in previous messages to both President and State Department. China anxious to ascertain if Soviet attitude continues as outlined last September by Molotov. On this I am unable to give any definite assurances for simple reason that I do not know.

HURLEY

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761.93/2-445: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 6, 1945—8 p. m.

200. The following tentative comment is made in response to your telegram no. 167, February 4, 2 p. m.:

On the general subject of your telegram, we feel, and believe you will concur in our opinion, that, while we are at all times anxious to be helpful to the Chinese Government, we should not permit the Chinese Government to gain the impression that we are prepared to assume responsibility as "adviser" to it in its relations with the U.S.S.R. Former Vice President Wallace, with the subsequent approval of the President, indicated clearly last summer<sup>7</sup> to Chiang Kai-shek, in response to a suggestion by Chiang, that the United States could not be expected to act as "mediator" between China and Russia. Furthermore the President in a message to the Generalissimo, transmitted through the Embassy as the Department's 955 of July 14,<sup>8</sup> stated that a conference between Chinese and Russian representatives would be greatly facilitated if, prior thereto, the Chinese Government had reached a working arrangement with the Chinese Communists for effective prosecution of the war against Japan. In the Department's telegram no. 1196 of September 9, 4 p. m.,<sup>9</sup> the President and the Secretary expressed views, for communication by Gauss<sup>10</sup> to Chiang Kai-shek, with regard to the importance of reaching such a "working arrangement".

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<sup>7</sup> For Vice President Wallace's mission, see *Foreign Relations*, 1944, vol. VI, pp. 216 ff.

<sup>8</sup> *Ibid.*, p. 245.

<sup>9</sup> *Ibid.*, p. 567.

<sup>10</sup> Clarence E. Gauss, then Ambassador in China.

With particular reference to the proposed agenda, we feel that the Chinese must reach their own decision with regard to what questions they should (or should not) discuss with the Russians and that we ought not take it upon ourselves to place a caveat upon or to sponsor discussion of any particular question.

You will of course readily appreciate that advance disclosure on the part of the Chinese of intention to include in their discussions with the Soviet Government item 2 of the proposed agenda might prejudice the success of the conversations. We are inclined to think that if it should be advisable at all to bring up this topic, which we seriously doubt, it should be approached very delicately and with careful preparation. We make the foregoing observations because it is not clear to us whether the proposed agenda is one which would be presented to the Soviet Government as a whole or whether it is simply for Soong's guidance as establishing an authorized range of subjects which he might raise in his discretion when and as opportunities present themselves.

With regard to other items on the proposed agenda we have no suggestions in mind.

With reference to your final and penultimate paragraphs, we have no concrete information which runs counter to the four points mentioned by you.

We appreciate receiving your report on this matter and hope that you will keep us informed of developments. You will of course know best how to handle discussions on the subject with the Chinese in a manner which will be helpful to them and unprejudicial to our position.

GREW

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761.93/2-445

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent) to the Secretary of State*<sup>11</sup>

[WASHINGTON,] February 8, 1945.

MR. SECRETARY: Reference Ambassador Hurley's telegram No. 167 of February 4, 1945, reporting the plan of Dr. T. V. Soong to visit Moscow to discuss with Soviet officials certain matters of interest to the Chinese and Soviet Governments.

With regard to the first item of the tentative agenda, namely, the establishment of closer and more harmonious relations between China and Russia, former Vice President Wallace, with the approval of the President, stressed to Chiang Kai-shek the importance of improving Soviet-Chinese relations. Subsequently, the President in a message to

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<sup>11</sup> Copy transmitted to the Ambassador in China in Department's instruction No. 44, February 12, not printed.

Chiang Kai-shek commented that Soviet-Chinese conversations would be greatly facilitated if, prior thereto, the Chinese Government had reached a working arrangement with the Chinese Communists. Generalissimo Chiang and Madame Chiang, in their conversations with Mr. Wallace, suggested a tripartite conference composed of U. S. S. R. and Chinese delegates, with U. S. delegates assuming somewhat the role of mediator or "go-between" in a discussion of Soviet-Chinese problems. Mr. Wallace pointed out that the United States could not be expected to assume such a role and that an improvement in Soviet-Chinese relations might best be effected by direct conversations between representatives of the two concerned Governments.

The second item of the agenda is a suggestion that the Soviet Union enter the war in the Far East. Such a suggestion, entirely apart from doubtful wisdom of broaching the subject at all, would manifestly require very delicate handling.

The third item suggests discussion of the future of Korea and of Soviet use of a Manchurian port. It is believed that bilateral discussion between Soviet and Chinese representatives of the future position of Korea should be avoided if possible and, in any event, should be purely exploratory. The United States and the United Kingdom both have a very definite interest in the future of Korea and should be included in any discussions thereof. Furthermore, an exploratory exchange of views on the technical level in regard to various questions affecting the future of Korea are now proceeding between representatives of the British, Chinese and American Governments. Chiang Kai-shek told Mr. Wallace last summer that, in Cairo, he had informed the President of China's willingness to make Dairen a free port provided Chinese sovereignty was fully respected.

With regard to the discussion of post-war Soviet-Chinese economic relations which constitutes the fourth item on the agenda, it is believed that exploration of this subject would be very useful, especially in view of the industrialization that has taken place in Soviet Asia during the war and of China's need of capital goods for post-war reconstruction.

The fifth item of the agenda, which proposes discussion of a program to guarantee peace between China and the U.S.S.R. on both sides of the border, raises questions which involve Outer Mongolia, northern Manchuria and Sinkiang Province. The U.S.S.R., while recognizing Chinese suzerainty over Outer Mongolia, actually treats with Outer Mongolia as an "independent" state under Russian protection. Until two years ago Russian influence in Sinkiang Province was strong and in recent months non-Chinese elements in Sinkiang in areas bordering upon Outer Mongolia and upon Kazakistan (U.S.S.R.) have been periodically in conflict with Chinese troops. The Chinese suspect Russian support of those elements. No racial



problems are involved in northern Manchuria but the question may arise as to the future status of the former Russian-owned Chinese Eastern Railway which the U.S.S.R. sold to "Manchukuo" about 10 years ago.

The degree to which Dr. Soong's conversations in Moscow will have practical results will depend upon a number of factors. If Dr. Soong goes without fairly broad powers from Chiang Kai-shek, there is little of a concrete nature which he can accomplish. Another factor of great importance will be the state of Kuomintang-Communist relations. Little progress apparently is being made in reaching a settlement of this problem. Unless some form of settlement between the two political groups is reached prior to Soong's visit, he may find the Russians willing to talk only in generalities. Still another factor, of course, will be the degree to which Soong can convince the Russians that the antagonism and suspicion which have characterized the attitude of the Chinese Government leaders toward the U. S. S. R. in recent years no longer exist. The Russians for their part have a deep-seated suspicion of such Chinese leaders as General Ho Ying-chin, Chief of Staff, and many of the Chinese military commanders.

The question of Russian territorial ambitions in the Far East at China's expense is frequently mentioned. It is believed, however, that the real question in Chinese-Russian relations is not so much "territorial" as political; that is, the Russian attitude toward the Communist-Kuomintang problem. If the Russians should decide to support the Chinese Communists there is little question but that they could perpetuate a condition of disunity and disturbance in China. At present the Russians have an agreement with China to refrain from interference in internal affairs in China but future developments may cause them to abandon that policy. Military action against the Chinese Communists by an anti-Russian Chinese Government might be one development that would cause a change in Russia's attitude. The rapid post-war development of an anti-Russian Japan might cause the Russians to seek security in fostering a satellite Chinese regime in north China and Manchuria. These are some of the potential dangers that beset Chinese-Russian relations and which are of concern not only to China and Russia but to us and all the United Nations.

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761.93/2-845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CUNGKING, February 8, 1945—7 p.m.

[Received February 8—1:55 p.m.]

196. During conference with the Generalissimo and T. V. Soong (ReEmbs 167, February 4, 2 p.m.), I was advised that Chiang had

received a telegram from the Soviet Government postponing Soong's visit to Moscow until latter part of March or the first of April. Reason stated was present status of the war in Europe. Intimation was that Soviets desired European war concluded before meeting with Chiang's representative takes place.

HURLEY

761.93/2-2745 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 27, 1945—11 a. m.

[Received 11 : 52 a. m.]

306. Embassy has been reliably informed that there is being drafted in Foreign Office a Sino-Soviet treaty of amity of 20 years' duration for possible submission by T. V. Soong during his projected visit to Moscow (ReEmbtel 196, February 8).

Some observers interpret this as an unrealistic effort on part of Chinese Government to (1) strengthen its hands in its negotiations with the Chinese Communists<sup>12</sup> and to preclude any agreement between Yen-an and Moscow, (2) forestall possible claims by Moscow for special consideration on Sinkiang, Manchuria or Korea and (3) show the world that Chungking is not entirely dependent on goodwill of United States and England.

In view of (a) continued failure of Yen-an and Chungking to come to terms, (b) unsatisfactory nature of Sino-Soviet relations over Sinkiang problem<sup>13</sup> and (c) openly hostile attitude of present ruling groups in Chungking toward communism and their strong distrust of USSR, it is not believed that such a treaty would have much chance of successful negotiation.

ATCHESON

761.93/2-2745 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 27, 1945—3 p. m.

[Received February 27—11 : 35 a. m.]

312. In connection with question of Sino-Soviet relations (see our 306, February 27), it is of interest that in two recent conversations with Political Vice Minister<sup>14</sup> he has taken occasion to express distrust of Russia. On the first occasion when I had called on him in connection with an entirely unrelated subject he brought up the question

<sup>12</sup> For documentation regarding Kuomintang-Communist question. see *ante* pp. 153 ff.

<sup>13</sup> For documentation on this subject, see pp. 985 ff.

<sup>14</sup> K.C.Wu.

of the Kmt<sup>15</sup>-Communist negotiations, said they had no hope for an agreement because at every new proposal the Communists raised their ante, and he [stated?] that it was his "personal opinion" that the Communists were receiving moral support from Moscow. On the second occasion he turned to the French attitude toward various questions and said that he felt that French "recalcitrance" was being supported by the Soviet Government pursuant to some secret agreements between France and Russia.

Through long and friendly acquaintance I have learned that Dr. Wu's "personal opinions" [of] such matters naturally enough follow closely those of T. V. Soong and in this matter I think it is quite safe to say that they also reflect the views of the Generalissimo (see our 301, February 26, 4 p.m.)<sup>16</sup>

ATCHESON

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761.93/2-2745

*Memorandum by the Chief of the Division of Chinese Affairs  
(Vincent)*

[WASHINGTON,] March 1, 1945.

With reference to the attached telegram,<sup>17</sup> CA concurs in the Embassy's opinion that Chinese plans for a Sino-Soviet Treaty of Amity are unrealistic while the Communist-Kuomintang problem remains unsettled and the Chungking ruling groups maintain their attitude of strong distrust of the U. S. S. R.

I recall my informal conversations some 2½ years ago with high Chinese officials on the subject of Sino-Soviet relations. At that time the general Chinese response to the idea of a Sino-Soviet Treaty of Amity was that there was no use entering into a treaty with a nation that could not be trusted. The apparent change in attitude may no doubt be ascribed to the improved position of the U. S. S. R. in the past 2½ years.

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761.93/3-1145 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 11, 1945—10 a. m.

[Received 12: 35 p. m.]

402. It is now reported with some reliability that the draft treaty which the Chinese are said to have been working on (ReEmbtel 306, February 27, 11 a. m.) has been abandoned, as has also for the time being any plan of Soong proceeding to Moscow before the San Fran-

<sup>15</sup> Kuomintang.

<sup>16</sup> *Ante*, p. 239.

<sup>17</sup> No. 306, February 27, 11 a. m., from the Chargé in China, p. 856.

cisco Conference.<sup>17a</sup> A few days ago at Soong's request we visaed his passport for journey to the United States together with those of his secretaries and to Yee Pei as his "special assistant". Reports that Sun Fo<sup>18</sup> might go to Moscow have died down (ReEmbs 346, March 2, 3 p.m.<sup>19</sup>) and persons near him deny that there is at present a possibility that he may do so.

ATCHESON

761.93/4-2345

*Memorandum by Dr. Arthur N. Young, American Adviser to the Chinese Ministry of Finance*<sup>20</sup>

[WASHINGTON,] April 2, 1945.

Nowhere, even in Europe, is there greater possibility of future difficulties that may involve the United States in serious friction or even in war than in the Far East. Basic political stability there is of utmost importance to the United States, China, Great Britain and Russia. The principal prerequisite to stability is a broad understanding among the four governments, based on clear and sound principles, and a will to maintain it. Clearly every effort should be made, along with the program of setting up a world security organization, to reach a real accord.

A review of Sino-Russian relations since 1895 shows that serious friction has existed about Manchuria and the Chinese Eastern Railway, leading to the Russo-Japanese war, and thereafter to Sino-Russian fighting in 1929; about Mongolia, Sinkiang and border areas; and is now threatening in relation to the Chinese Communist situation.

The situation will be much complicated if, as is highly probable, Russia joins the war against Japan, and is in occupation of territory recognized by Russia and the other powers to be Chinese (especially Manchuria), before there is a broad understanding among Russia, the United States, Great Britain and China about prospective Far Eastern problems.

Legitimate Russian objectives in the Far East include assurance of ready communications with Eastern Siberia, adequate port and transit facilities, and having no unfriendly government on the Russian border. China, on the other hand, wants little from Russia other than freedom from direct or indirect interference in Chinese internal affairs (except for the question of Outer Mongolia as to which in practice presumably nothing can be done). Also there should be a complete settlement of

<sup>17a</sup> United Nations Conference on International Organization, San Francisco, April 25-June 26, 1945.

<sup>18</sup> President of the Chinese Legislative Yuan.

<sup>19</sup> *Ante*, p. 65.

<sup>20</sup> This memorandum is a summary of a 21-page memorandum by Mr. Young dated March 28.

Sino-Russian frontier questions. The Sino-Russian frontier is the longest land frontier in the world, and an understanding similar to the American-Canadian understanding backed by goodwill on both sides would contribute greatly to future world stability.

In some respects the basic situation parallels that giving rise to the Washington Conference of 1921–22.<sup>21</sup> Chinese internal problems are unsettled, and China badly needs an extended period of freedom from pressure or interference by any foreign government with regard to internal affairs. Likewise, the foreign governments should mutually undertake to respect China's integrity and sovereignty in letter and in spirit, and agree not to utilize the present situation to seek special advantages in China vis-à-vis one another or at China's expense. In 1922, Russia was conspicuously absent, but this time is very much in the picture. Now Japan will be absent, but should be required in due time to assent to any principles agreed upon by the other powers concerned.

An understanding involves, as of fundamental importance, a settlement of the Chinese Communist question. The danger of Russian support of the Communists, or creation of one or more Russian puppet states on Chinese soil while the United States and Great Britain continue to recognize the Chinese National Government, is obvious. An ideal temporary solution would be a political compromise in China. Whether any form of joint American, British and Russian mediation is practicable could be explored.

Also there is need for an understanding on economic matters. There is danger in the tendency in some American and Chinese quarters to treat the international phase of China's development as a Sino-American preserve. There should be a clear understanding among the three powers and China about future economic development and investment in China. This might be somewhat on the lines of the old consortium of 1919,<sup>22</sup> but with full Chinese participation which was omitted twenty-five years ago. The Bretton Woods International Bank, if created, would be much in the picture. A concrete case requiring co-operation is the Chinese railway problem, in which there is an extensive foreign interest and for whose development China will need substantial foreign help. This help should be drawn from all the countries concerned as a part of a program of administrative and financial unification of the Chinese Railways. The efforts of Secretary Knox to internationalize the Manchurian Railways in 1909<sup>23</sup> may be recalled.

Also, there should be an understanding whereby Russia receives effective transit and port facilities in Manchuria at fair cost, without

<sup>21</sup> See *Foreign Relations*, 1922, vol. I, pp. 1 ff.

<sup>22</sup> See *ibid.*, 1919, vol. I, pp. 420 ff.

<sup>23</sup> See *ibid.*, 1910, pp. 231 ff.

discrimination and without paying tariff or transit duties or charges on goods in transit.

Finally there are intergovernmental financial problems in that Russia, along with the United States and Great Britain, is a wartime creditor of China. The three creditor powers ought to follow a common policy in dealing with these advances, having regard to promoting a healthy economic and financial situation. (See Article II of the American Loan Agreement of March 21, 1942<sup>24</sup>).

The Far Eastern situation naturally has to be considered along with other problems involving Russia. Clearly Russia, in order to concentrate on internal reconstruction and development, has a long-time interest in external stability. This involves having good relations among the four powers. On the other hand, there is Russia's recently growing activity with regard to neighboring states.

In any event, Russia is not entitled to a price involving sacrifice or [of] any legitimate Chinese interest without China's consent. To do this would be morally unjustified and would sow the seeds of future serious trouble. If Russia joins the war it will be as a matter of national advantage, to have a hand in the settlement, and there should be no need to offer Russia compensation. After all the sacrifices of China and the United States in the war against Japan, it would not be right for Russia to come in at the eleventh hour and claim advantages at the expense of the interests of China and the United States.

The question of possible need for pressure on Russia, e. g., in the field of economic and financial aid, and the extent to which such pressure would be practicable or effective, involve matters outside the scope of this analysis.

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761.93/4-1145: Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, April 11, 1945—8 p. m.

[Received April 12—2:40 a. m.]

1130. An authoritative Chinese source in Moscow, in conversation with an Embassy officer, saw two major issues in Sino-Soviet relations at this time. One was Sinkiang about which little could be done by the Chinese Embassy here. Second was Chinese Communists which was in principle domestic Chinese problem. (Repeated to Chungking as 25.)

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<sup>24</sup> Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 510, 512; for documentation, see *Foreign Relations*, 1942, China, pp. 419 ff.

Sinkiang revolts informant admitted to be serious. He implied Soviet instigation. Chinese could unquestionably crush insurgents if large bodies of troops were dispatched to Sinkiang. But that would, he declared, provoke open Sino-Soviet clash. He was generally pessimistic about future of Sinkiang problem.

Solution of Chinese Communist issue, according to source, lay in reform within Kuomintang. However, he did not seem to be confident that reform would be accomplished. He said Chinese Communist party, as is the case with Communist parties in other countries, is responsive to the will of the Kremlin. He has no doubt that Soviet Union would eventually for political reasons enter war against Japan.

If Soviet troops occupied Manchuria and North China, he felt the prospect of control of those areas by the Chinese [National?] Government would be dark.

Chungking please show Wedemeyer's<sup>25</sup> political adviser.<sup>25a</sup>

HARRIMAN

893.00/5-445: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 4, 1945—6 p. m.

[Received May 4—11:20 a. m.]

723. Many of the recent editorials in the Chungking press commenting on Sino-Russian relations (Embassy's 719 [724], May 3 [4], 6 [7] p. m.<sup>26</sup>) are so similar that they appear to have been written under detailed instructions from the Ministry of Information. This tends to substantiate a report from a reliable source that the Ministry of Information has in fact issued a recent directive to the Chinese press to print nothing derogatory to the USSR.

Sent to the Department, repeated to Moscow.

HURLEY

761.93/5-445: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 4, 1945—7 p. m.

[Received May 4—2:05 p. m.]

724. The new Soviet Ambassador, Mr. A. A. Petrov, reached Chungking April 30. His arrival in China prompted the writing of a number of newspaper editorials on Sino-Soviet relations.

<sup>25</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, United States Forces in the China Theater.

<sup>25a</sup> John Stewart Service.

<sup>26</sup> *Infra.*

Nearly all of the editorials express the belief that the denunciation by the Soviet Union of the Russo-Japanese neutrality pact,<sup>27</sup> the despatch of a new ambassador to China, and the participation of both Russian and Chinese delegates on [*in*] the San Francisco Conference are indication of renewed Russian interest in the Far East. Russia is expected to enter the war against Japan as soon as conditions in Europe make it possible, and China should therefore make every effort to improve relations with its powerful neighbor.

The friendship of Lenin and Sun Yat-sen is recalled, as well as various occasions when the Soviet Union has helped China, particular stress being laid upon the assistance given after the Japanese invasion in 1937. Sun's death-bed message to the Soviet Government, expressing hope for permanent fraternal relations between the two countries, is quoted and attention is called to the similarities in their ideals of national reconstruction. Japan is blamed for the various periods of friction between them, and it is explained that Russia had no alternative but to sign the neutrality pact with Japan after the European situation became critical. The statement is made and reiterated that both countries desire peace and that neither wants territory of the other. Not only will China and Russia benefit from improved relations, but the peace of the whole world will thereby be made more secure.

Some of the editorials stress certain points which are either passed over or omitted by others. For example, the *Kuo Min Kung Pao* declares that the preservation of its ancient territory is the foundation of Chinese foreign policy, and that Russia and China should make a treaty permanently defining their common boundary and recognizing that Manchuria, Outer Mongolia, Sinkiang and Tibet belong to China. The *Chung Yang Jih Pao*, after listing various characteristics and experiences shared by China and Russia including their ill treatment at the hands of other states, declares "All the cheap anti-Soviet and anti-Chinese propaganda in the world cannot successfully obstruct the mutual confidence and mutual assistance of these two great nations".

In its editorial, the Communist *Hsin Hua Jih Pao* traces the history of Soviet aid to China, but with somewhat different emphasis. Part of this editorial was cut by the censor, but the editor succeeded in conveying the idea that the blame for previous Soviet-Chinese misunderstanding and for Chinese anti-Russian feeling should be laid at the door of the Kuomintang. The primary aim of this editorial, apparently, was to defeat the assertions of goodwill toward the USSR

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<sup>27</sup> Signed at Moscow, April 13, 1941; see telegram No. 763, April 13, 1941, 11 p. m., from the Ambassador in the Soviet Union, *Foreign Relations*, 1941, vol. iv, p. 944.



being given official expression. Entitled "Mere talk of friendship is not enough", the editorial demands that proper steps be taken to put into effect the policy of Sun Yat-sen to form "Alliance with Russia".

Possibly in answer to the demand of the Communist organ for more than words, the *Ta Kung Pao* several days later made four proposals: (1) That a Combined Chiefs of Staff organization be set up, including China, Russia, the United States and Great Britain (and perhaps other interested nations) to work out plans for joint operations against Japan. (2) That China and the Soviet Union sign a mutual assistance pact to include, among other things, procedure to govern the operations of Russian troops in Chinese territory. (3) That China and Russia sign a treaty delimiting the long boundary between [them] and providing for non-fortification of the frontier. In this connection, the granting of a high degree of autonomy to Sinkiang and Outer Mongolia is urged, even the granting to the latter of a federal relationship with China. (4) That China and Russia immediately begin the discussion of postwar problems. The two countries should cooperate in the control of Japan and join in guaranteeing the independence of Korea.

Repeated to Moscow.

HURLEY

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Moscow Embassy Files—800 China

*Memorandum by the Chief of the Division of Eastern European Affairs (Durbrow)*<sup>28</sup>

[WASHINGTON, May 10, 1945.]

#### ESTIMATE OF SOVIET POLITICAL POLICY REGARDING CHINA

While the Soviet Government has been preoccupied in the European war, it has not played a prominent part in China but has been content to permit the United States to take the lead in that area. It has, nevertheless, been following developments closely and through its encouragement of the Chinese Communists in central China it has maintained an effective apparatus in that country for future eventualities. Moreover, while the Soviet authorities have ostensibly withdrawn their personnel from Sinkiang there seems to be little doubt that through the military activities of the Kazaks in that area they are keeping this situation fluid in order to be in a position to exert strong influence there at a later date if they should deem it advisable.

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<sup>28</sup> Marginal notation stated that this was prepared for a "General Estimate" paper. Copy also sent to the Embassy in the Soviet Union as "of possible interest to the Ambassador and John Davies". The latter was Second Secretary of Embassy there, having been transferred from China.

Because this area is linked more closely economically and geographically with the Soviet Union than with China it is quite probable that the Soviet Government will in the not too distant future make vigorous efforts to increase their influence in this area by linking it more firmly economically with the Soviet Union and exercising considerably more political control. In regard to Manchuria, there seems to be little doubt that the Soviet authorities will, as a minimum, demand the re-establishment of the dominant position they held in this area prior to the signing of the Treaty of Portsmouth.<sup>29</sup>

It is obvious that the Soviet Government does not look with favor on the Chungking Government and while they pay lip service to it now by continuing to recognize it they will in all probability endeavor to undermine its influence still further by either giving additional and substantial assistance to the Chinese Communists or if a coalition is effected between the Communist and Chungking Governments the Soviet authorities will immediately apply their well-perfected infiltration tactics to take over control of the coalition. Under present circumstances, they would undoubtedly prefer the latter course to civil war and, therefore, they may not be expected to oppose any efforts made by the United States to bring about such a coalition.

On the basis of reports from American observers in Yen-an, it is evident that the structure of the Communist Government is a replica of that of the Soviet Government. If and when the Soviet authorities decide to take a more active part in China, they will, if they wish to use it, have at their disposal an effective machine to build upon and expand their influence in a somewhat similar manner to the methods they have used in central and eastern Europe. The principal difference will be that they will be dealing with an agricultural population with a comparatively small number of urban workers. This fact may make their task more difficult since the Marxian appeal is usually more difficult of implementation with rural populations who by instinct are individualistic and only desire outside aid in order to increase their own individual well being and economic plight [*sic*]. The Soviet authorities, therefore, will champion a policy which will be directed to win over the peasantry by a well-integrated program of land reforms and promises of material aid for the rural population which will be implemented by some positive action coupled with a large share of glowing promises, which may be fulfilled later.

Therefore, unless the Chungking Government can liberalize itself, adopt a definite forward-looking program and carry it out, the chances are that the Communist-controlled groups will prevail in the end.

It is evident that the Soviet authorities desire the complete destruction of Japan as a force in the East so that, as in the west, with the

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<sup>29</sup> Signed September 5, 1905. *Foreign Relations*, 1905, p. 824.

defeat of Germany, there will not be any powerful force to either threaten the Soviet Union itself or prevent, or be in a position to hinder, the extension of Soviet influence in this region. For this reason, it seems clear that the Soviet Union will enter the war against Japan at such time as it alone decides that its best interests will be served in taking this action. As indicated above, the minimum demands of the Soviet Government as a result of their participation in the Far Eastern war will be the complete elimination of all the provisions of the Treaty of Portsmouth and an assured place for itself in the final settlements to be arranged in the Far East. In its efforts to attain considerable influence in this area, the Soviet Government will undoubtedly endeavor to use, if they are permitted to, the same unilateral methods which they have so effectively applied in eastern and central Europe.

While we should in no case try to prevent the attainment of legitimate Soviet interests in China, we should in our own interests exert every effort to prevent Soviet influence from becoming predominant in China. To do this, it would appear that we should bend every effort to bring about a liberalization of the Chungking Government, assist them in drawing up a positive program which would have a direct appeal to a large section of the population and assist them financially and materially to carry out effectively such a program. The United States is in a position to furnish the material aid necessary to implement such a program while the Soviet Union is not. For this reason, the Soviet Government will find it difficult to give large-scale material assistance to the Communist elements in China in order to help them to carry out their promises. If we, on the other hand, can furnish such material assistance to liberal non-Communist elements, many of whom may now, because of lack of faith in the present policies of Chungking, be turning to the Communist groups, we should be in a position to minimize the influence of the Soviet Union in this area and start China on the path which should lead eventually to the creation of a truly liberal regime rather than the establishment of another "proletarian" dictatorship.

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761.93/5-1045 : Telegram

*The Ambassador in China (Hurley) to President Truman* <sup>29a</sup>

CHUNGKING, 10 May, 1945—11:42 a. m.

101142. Knowing the great strain under which you must be working I have hesitated to burden you with problems by which we are confronted here. In my last conference with President Roosevelt he

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<sup>29a</sup> Copy obtained from former President Harry S. Truman.

entrusted me with two specific missions in addition to my duties as Ambassador to China.

The first mission was to bring Churchill<sup>29b</sup> and Stalin<sup>29c</sup> to an agreement on the policy that the United States has been pursuing in China, namely (1) to take all necessary action to bring about unification under the National Government of all anti-Japanese armed forces in China, (2) to endorse the aspirations of the Chinese people for the establishment of a free united democratic Chinese Government, (3) to continue to insist that China furnish her own leadership, make her own decisions and be responsible for her own policies and thus work out her own destiny in her own way.

As you have no doubt been advised by the Secretary of State, I obtained concurrence of Churchill and Stalin on the plan outlined. The British claim that the policy to which they now agree has always been British policy. This statement is incorrect. Roosevelt knew it was incorrect and that is why he sent me to London. We have conclusive evidence on this point which it now seems unnecessary to resubmit since agreement has been reached. The policy of all the Southeast Asia imperialist governments was to keep China divided against herself. This policy would seem to have been altered now that the British and the Soviet have agreed to the Roosevelt policy in China. See my reports to the Secretary of State No. P-28255 dated Teheran 13 [14] April 1945<sup>29d</sup> and No. 1212 dated Moscow 24 [27] April 1945.<sup>29e</sup>

New Subject:

The second mission entrusted to me by President Roosevelt in my last conference with him pertains to a decision affecting China reached at the Yalta Conference.<sup>29f</sup> Before my last visit to Washington and before I had been informed by the President of the Yalta decision pertaining to China including particularly the all-important prelude,<sup>29g</sup> the Generalissimo had discussed with me China's position on the same problems decided upon at Yalta and had given me his attitude relating to them. He gave me, at that time, an *aide-mémoire* summarizing his position on some of the problems. Of course, the subject discussed in the prelude to the Yalta decision was not known to him and so far as I am concerned the matter has not yet been presented to him.

<sup>29b</sup> Winston S. Churchill, British Prime Minister.

<sup>29c</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

<sup>29d</sup> *Ante*, p. 329.

<sup>29e</sup> *Ante*, p. 338.

<sup>29f</sup> For agreement signed February 11, 1945, see *Foreign Relations, The Conferences at Malta and Yalta, 1945*, p. 984.

<sup>29g</sup> It provided for Soviet entry into the war against Japan.

Since my return we have continued to discuss the problems that would be involved in promoting future friendship and peace with Russia, without referring to the Yalta decision as such. All of the problems decided, except No. 1 in the prelude, have been raised by the Generalissimo and discussed fully with me. I am convinced that he will agree to every one of the requirements but will take exceptions to the use of two words "preeminent" and "lease". These two words have bad connotations in Chinese. They have been involved in the controversies over extraterritoriality. These two words seem to impinge on the principles of the territorial integrity and independent sovereignty of China.

Both Roosevelt and Stalin advised me that it was agreed between them that I would not open the subject of the Yalta decision with Chiang Kai-shek until the signal was given me by Stalin. Stalin said he would give me *carte blanche* and let me use my own judgment as to when and how to present the subject. However, both Harriman and I were of the opinion that it would be best to delay the presentation because of the possibility of leakage which in turn might bring undesirable results. I explained this to Stalin and it was finally decided that I am not to present the subject to Chiang Kai-shek until we have advised Stalin that, in our opinion, the time is opportune and until we have received the signal from him.

I want to emphasize to you that prior to my recent visit to Washington I had discussed with Chiang Kai-shek all phases of the Chinese-Russian problem before we knew what was contained in the Yalta Agreement, and since coming back to Chungking we have again thoroughly covered the same subjects without alluding to the primary subject. We are therefore in a position to proceed with dispatch on the Yalta Agreement when we are authorized to submit the particulars thereof to the Generalissimo.

My purpose in wiring you this report is to give you the foregoing brief and somewhat cryptic outline of the situation and at the same time advise you that the Generalissimo has received telegrams from the Chinese Ambassador at Washington summarizing all of the items decided at Yalta except the primary one. The Chinese Ambassador's recitations of the various items are not all correct although he states that he got the various points in conversation with President Roosevelt. The Chinese Ambassador has indicated that the United States will join as a third party in the agreement between Russia and China on the various instrumentalities described. No such participation is indicated in the Yalta decision.

In addition to this the Chinese Government yesterday received a cable from a Chinese representative in Switzerland which reports movements of troops that we know are taking place and which indicate

Russia's intent. The Chinese Government also has other information of movements and plans from which they have concluded that the object referred to in the prelude of the Yalta decision is definitely expected to happen. From the reports the Chinese are now receiving and with what they already know it is reasonable to expect them to reach approximately correct conclusions on this subject.

It is of utmost importance that the Generalissimo as head of a state vitally concerned should be informed officially and in an appropriate straightforward manner becoming the character of the United States when the time is propitious. This information could and probably would have been given to him some time ago were it not for the lack of security associated with China. It now appears desirable that you discuss this situation with the Joint Chiefs of Staff and the Secretary of State to determine when you should direct me to ask Stalin for his approval of the time when I am to officially inform Chiang Kai-shek. Telling Chiang Kai-shek and asking him to clamp down secrecy which no doubt he would do to the best of his ability would, I believe, keep the secret from the enemy longer than it will be kept by letting the Chinese continue to conjecture publicly on the facts that come to their knowledge from other sources. The American Theater Commander is familiar with the contents of this message.

[HURLEY]

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761.93/5-1245 : Telegram

*President Truman to the Ambassador in China (Hurley)*<sup>30</sup>

WASHINGTON, 12 May 1945—3:30 p. m.

263. Receipt is acknowledged of your message 101142.<sup>30a</sup> Please continue your efforts to accomplish the purposes outlined to you by President Roosevelt.

I am informed in regard to your previous reports of the attitude of the imperialist governments in China, and hope that the agreement with Churchill and Stalin reported by you may result in the establishment of a free united democratic Chinese Government.

In regard to the "prelude" to the Yalta agreement on the future conduct of the Pacific War, it is not appropriate at the present time for you to give any information to the Chinese Government.

When it is appropriate and promising of advantage to the common cause, you will be advised to inform the Chinese Government of the particulars of arrangements that may be in effect at that time.

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<sup>30</sup> Copy obtained from former President Harry S. Truman.

<sup>30a</sup> May 10, 11:42 a. m., *supra*.

We will endeavor to get to Chiang Kai-shek, through you at the earliest practicable date, all the available information on this subject that can be disclosed without damage to the overall prospect.

TRUMAN

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740.0011 Pacific War/5-1545

*Memorandum by the Acting Secretary of State to the Secretary of the Navy (Forrestal)*<sup>30b</sup>

[WASHINGTON,] May 12, 1945.

In order to determine the policy of the United States Government in the Far East in connection with the political effects of the expected Soviet entry into the Pacific war and the relationship of the Yalta Agreement on this subject, I would appreciate receiving from you the views of the Navy Department on the following questions:

1. Is the entry of the Soviet Union into the Pacific war at the earliest possible moment of such vital interest to the United States as to preclude any attempt by the United States Government to obtain Soviet agreement to certain desirable political objectives in the Far East prior to such entry?

2. Should the Yalta decision in regard to Soviet political desires in the Far East be reconsidered or carried into effect in whole or in part?

3. Should a Soviet demand, if made, for participation in the military occupation of the Japanese home islands be granted or would such occupation adversely affect our long term policy for the future treatment of Japan?

In the opinion of the Department of State it would be desirable politically to obtain from the Soviet Government the following commitments and clarifications regarding the Far East prior to any implementation on our part of the Yalta Agreement:

1. The Soviet Government should agree to use its influence with the Chinese Communists to assist this Government in its endeavors to bring about the unification of China under the National Government headed by Chiang Kai Shek. The achievement of Chinese unity on the basis considered most desirable by the United States Government should be agreed to by the Soviet Union before the United States Government should make any approach to the Chinese Government on the basis of the Yalta Agreement. The difficulties in regard to Sinkiang should be settled by amicable agreement between the Soviet and Chinese Governments.

2. Unequivocal adherence of the Soviet Government to the Cairo Declaration<sup>31</sup> regarding the return of Manchuria to Chinese sovereignty and the future status of Korea.

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<sup>30b</sup> Also sent to the Secretary of War (Stimson).

<sup>31</sup> Issued December 1, 1943, by the Governments of the United States, the United Kingdom, and China; for text, see *Foreign Relations*, The Conferences at Cairo and Tehran, 1943, p. 448.

3. Definite agreement of the Soviet Government that immediately Korea is liberated, whether before final capitulation of Japan or after, it be placed under the trusteeship of the United States, Great Britain, China, and the Soviet Union. This agreement should make clear that the four trustees are to be the sole authority for the selection of a temporary Korean Government.

4. Before giving final approval to the annexation by the Soviet Union of the Kurile Islands it might be desirable to receive from the Soviet Government emergency landing rights for commercial planes on certain of these islands.

[JOSEPH C. GREW]

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740.0011 P.W./5-1545

*The Under Secretary of State (Grew) to the Secretary of State*

[WASHINGTON,] May 15, 1945.

MR. SECRETARY: Following a meeting on May 12 between the Secretary of Navy, Mr. McCloy,<sup>32</sup> and Ambassador Harriman to consider political implications of the expected Soviet entry in the Far Eastern war, the attached memorandum<sup>33</sup> at the request of the War and Navy Departments was sent by me to Secretaries Stimson and Forrester. We are awaiting their replies before holding another meeting with Ambassador Harriman prior to his return to Moscow. I will, of course, keep you informed of any further developments on this subject.

I understand that you discussed this general matter with Ambassador Harriman before he left San Francisco.

JOSEPH C. GREW

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761.93/5-2045

*Memorandum by Mr. DeWitt C. Poole of the Office of Strategic Services*<sup>34</sup>

[WASHINGTON,] May 20, 1945.

#### THE SITUATION IN CHINA

Summary of talks with T. V. Soong, Minister for Foreign Affairs; Dr. Victor Hoo, Vice Minister for Foreign Affairs; Ambassador Wei; and Dr. Chu Hein-ming, Chief of the Russian Department, Ministry of Information.

Of the above-mentioned four Chinese gentlemen, Dr. Chu Hein-ming spoke with greatest frankness. He speaks, incidentally, not

<sup>32</sup> John J. McCloy, Assistant Secretary of War.

<sup>33</sup> *Supra.*

<sup>34</sup> Transmitted to the Chief of the Division of European Affairs (Durbrow) on July 12.



only fluent but faultless Russian. (Under-Secretary Hoo also speaks Russian without any accent.) According to the pro-Soviet magazine *Amerasia*, Dr. Chu Hein-ming is the Generalissimo's main adviser on Russian affairs, and was criticized, along with the other members of the Chinese Delegation,<sup>35</sup> for his allegedly anti-Soviet attitude. He was born and educated in Harbin, Manchuria. He plans to accompany, together with Victor Hoo, Dr. T. V. Soong on his coming trip to Moscow.

T. V. Soong is most anxious to go to Moscow before the Soviet Union begins to fight Japan. The Chinese, who a year ago were very skeptical about a Soviet-Japanese war, now believe that this war is imminent. They do not know, however, when it will begin. They are naturally most anxious to discuss, and if possible to settle, the problem of their relations with Moscow before the beginning of Soviet Japanese hostilities.

T. V. Soong was informally invited to come to Moscow at a dinner given by Molotov in San Francisco. The same invitation was extended to six or seven other Foreign Ministers who attended this dinner (French, Czech, Yugoslav, Chilean, Austrian, and New Zealand).

No date, however, has been fixed by the Soviet Union, and the Chinese are now anxious to arrange this visit as soon as possible. T. V. Soong recognizes that it will not be an easy diplomatic assignment. The Russians, until now, have carefully avoided any discussions of their post-war relations with China. The Chinese have no ground for complaint about the present Soviet attitude towards Chungking, but they are now getting more and more worried over possible post-war trends of the Soviet foreign policy.

T. V. Soong admits that he has not much to offer to the Soviets during his forthcoming talks with them. His main asset, he believes, is the American support of the Chungking regime. All doubts expressed in the American press about the stability of the Chungking regime and all sympathy expressed by American newspapermen for the Chinese Communists weakens considerably the position of Chiang Kai-shek's government with regard to Moscow. He was pleased, therefore, with the *Reader's Digest* article on China.<sup>36</sup> He was very anxious to see the Americans become ever more aware of the importance of China, especially if he fails to reach an understanding in Moscow.

The two main Chinese worries are Manchuria and Korea. Manchuria is definitely much more important than Korea. The Chinese

<sup>35</sup> Delegation to the United Nations Conference at San Francisco.

<sup>36</sup> "Fate of the world is at stake in China", *Reader's Digest*, June 1945, vol. 46, pp. 13-22.

population of Manchuria increased during the last fifteen years from ten million to twenty-eight million people. It is one of the richest Chinese Provinces and can absorb, in their opinion, a part of the Chinese surplus population. They would like, therefore, to know what the Russian plans are for Manchuria. The Chinese are prepared, both T. V. Soong and Victor Hoo told me, to let the Russians use the Manchurian Railway, once owned by the Russians, for all their transit. They are also prepared to let the Russians use, custom free, Manchurian harbors, but, said Soong and Hoo, they cannot permit any Soviet military or air bases on Manchurian soil.

They are afraid that Soviet military action against Japan will start on Manchurian soil. According to the Chinese information, important Soviet troop movements took place one night during the last two or three months along the Manchurian border. The Chinese fear that the Russians will enter Manchuria for strategic considerations and stay there for political and economic considerations. This is why they are so anxious to find out what the Soviet intentions with regard to Manchuria are, and to reach, if possible, an understanding with Moscow before the beginning of the military action against Japan.

They are also somewhat worried about the situation in Sinkiang. The latest troubles in Sinkiang, where the non-Chinese Kirghizes and Kazaks began to shoot the Chinese, disturbed the Chungking government. The Chinese would like to find out whether the Soviet arms used by the non-Chinese population were left during the Soviet-Chinese condominium over this Province which ended two years ago with the withdrawal of the Soviet forces, or whether they were later brought to Sinkiang from across the border.

Asked by me whether in their belief Moscow would prefer to have for Manchuria a "Czechoslovak" or a "Lublin"<sup>37</sup> style of government, Soong and Hoo said that they expected rather a Czechoslovak style of government as a vehicle for Soviet influence. They are afraid that Moscow might find a number of candidates for the part of a Manchurian "Beneš".<sup>38</sup>

The Chinese are not prepared, however, to give up without a diplomatic battle their claims over Manchuria. They are much more pessimistic as far as Korea is concerned. Soong and Hoo remarked that Korea was never a Chinese province and that the independence of Korea is of importance to the Chinese strategical location. Dr. Chu

<sup>37</sup> Soviet-sponsored Polish regime.

<sup>38</sup> Eduard Beneš, President of the Czechoslovak Government in exile, who returned to Czechoslovakia as President in 1945.

Hein-ming was much more outspoken. He does not believe that there is any chance to assure Korea's independence. Korea's political life suffered much from the Japanese regime and its Korean puppets. On the other hand, Dr. Chu recognizes that both the so-called Korean government which operates under Chinese sponsorship and with Chinese subvention in Chungking and all the Korean nationalist leaders in the United States have no roots and no following in Korea. He believes that the Korea Communists, trained in the Soviet Union, have a far greater chance to take over the power in China [*Korea*] than have the Chinese and our Korean protégés. The Soviets, says Dr. Chu, have withdrawn many Koreans from border regions to more remote provinces in Turkestan during the purge of 1937-38. Those Koreans of whom the Soviets did not feel quite sure during the purge have been since then thoroughly trained and incorporated into the Soviet administration. Many of them reached responsible posts in different branches of the administration. Their administrative experience combined with the military and political prestige of their Soviet sponsors and backers may easily bring them to power in Korea.

As important as are Manchuria and Korea for post-war China, there is another problem which certainly overshadows the problems of those two countries. It is the problem of the Chinese Communists and especially of the support which they may find with the beginning of the Soviet-Japanese war from the Soviets.

All the Chinese, from T. V. Soong down to Dr. Chu, recognize that the Soviets supported the Chinese Communists either materially or morally since 1937. But, Dr. Chu points out, while the Soviet leaders have spoken with a certain contempt of the Chinese Communists to General Pat Hurley and to Donald Nelson, they have on the other hand continued to describe the Chinese Communists as "Communists" in all Soviet publications and newspapers. This is, in the opinion of Dr. Chu, extremely significant. Should the Moscow leaders disapprove of the Chinese Communists they would have labeled them as "Trotskyites" or would have marked in some way or other the fact that they do not sympathize completely with the Chinese Communist movement. As long as the Chinese Communists are described as "Communists" in the Soviet press it means that they do enjoy the confidence of the Soviet leaders and that they might be used, when it is judged desirable, for the achievement of the Soviet objectives in the Far East.

The Chinese are still guessing what might be the long-range Soviet objectives in the Far East. They hope, although they are not very sure, that T. V. Soong's trip to Moscow might bring some light. But they are perfectly certain that the Soviet diplomacy in the Far East is

going to become extremely active within the coming months. What are, then, the Chinese chances to prevent the gradual Sovietization of China?

Dr. Chu, who it has already been pointed out, speaks more bluntly than the top Chinese officials, admits that the situation is very serious, if not already critical.

He does not pretend that the Kuomintang has all the virtues and qualities for the salvation of China. He admits that he was made a member of the Kuomintang quite recently and practically against his will, but he could not refuse the membership which was imposed upon him because of his official position. He disclosed that a number of high Chinese diplomats, including Victor Hoo, who have until lately managed to stay outside of the Kuomintang, were obliged to join the party about three weeks ago. This policy, says Dr. Chu, aims on the one hand to assure the growing loyalty of the Chinese officials and diplomats to the Kuomintang party line, but on the other hand it has also a long-range objective. This policy aims to make the Kuomintang ever more representative of the Chinese people and to bring together different factions and political and social philosophies of the Chinese.

Dr. Chu frankly admits that China suffers terribly from the Chinese hereditary weaknesses. He does not deny that there is graft and corruption in the Chungking administration. He is more than aware of all the dangers which evolve from the ever-growing Chinese inflation. But he is anxious to point out that despite those very hard economic and financial conditions there is an ever-growing number of Chinese Patriots who serve the administration in posts where there is no chance for any graft whatsoever, and who are doing their very best to serve honestly their country. Dr. Chu is convinced that if only China could succeed in obtaining ten years of relative peace and of non-foreign interference in its domestic life the younger generation of Chinese Patriots, most of whom have been educated in American schools, could create, with American help and assistance, a new, sound economic basis for a politically sound China. He admits that the Kuomintang did not fully succeed until now but he is convinced that the Chinese Communists do not have a chance to succeed where the Kuomintang failed unless they will be backed by Soviet bayonets.

One of the greatest Chinese plagues is the inflation. Because of it Chinese industrialists refused to produce as they were not sure that they would be able to replenish their supplies of indispensable raw materials. Donald Nelson and his technical advisers rendered a great service to Chinese economy by creating conditions which assured to every Chinese manufacturer the supply of the same quantity of the raw materials which he was using for his production. The result was a developed Chinese production. But, while these economic measures greatly contributed to the prevention of a greater Chinese economic

chaos, the stability of the Chinese economy was compromised by the scarcity of rice which resulted from the recent Chinese military defeats in the rice basket Provinces. It is easier to keep the price control over the raw materials than over rice, the staple food of the Chinese peasant and worker. The latest inflation, explained Dr. Chu, was the tragic result of the scarcity of rice which had its regrettable effect on the increasing of the cost of labor.

Two conditions, in Dr. Chu's opinion, can save China,—(a) Will American diplomacy succeed in protecting China during the coming ten years against Soviet intervention in Chinese domestic affairs?—(b) Will the United States help the Chinese to create a new Chinese economy?

There is, in Dr. Chu's opinion, a real basis for a new, modern and sound Chinese economy. He remarked that the Japanese occupation paradoxically contributed to it by training hundreds of thousands of Chinese as qualified industrial workers and technicians. But the Chinese need both engineers and foreign capital. If they succeed in obtaining both the engineers and the foreign capital they will be able to build an industry which not only will assure China's economic independence, without which there cannot be political independence, but it will also absorb an ever-growing number of the Chinese farm hands who cannot make their living in this over-populated country. Thus the Chinese industry will prevent dangerous social discontent which would be capitalized on by the Soviet Union and the Chinese Communists in the north of China.

Should these two conditions be fulfilled, the Soviet Union would probably discover that it is more advantageous for them to live in peaceful cooperation with the four hundred million Chinese than to assume the burden of China's gradual incorporation into the Soviet political and economic system and risk a conflict with the United States.

At this moment the Chinese are making what is, perhaps, their last attempt to reach an understanding with the Soviet Union. They have eliminated Dr. H. H. Kung, who was known for his yielding [*unyielding?*] position with regard to the Soviet Union. T. V. Soong, his brother-in-law, cannot certainly be described as "pro-Soviet". He is perfectly aware of the necessity to reach an understanding with Moscow, and will do his utmost to try to reach this agreement. If he fails, all the Chinese here with whom I talked are anxious to point out that it will not be his fault. But they are equally anxious to point out that he has practically no chance of succeeding unless he is fully supported by the American diplomacy. The Chinese are awaiting, therefore, with particular anxiety, the results of T. V. Soong's mission to Moscow.

Dr. Chu predicted to me Soong's promotion to the Premiership. He explained, moreover, that Ambassador Wei will probably not stay very long in Washington. Ambassador Wei, says he, is closer to Kung's than to Soong's school of thought. Should the chance for an understanding with Moscow increase Soong will very likely gradually eliminate the more outspoken anti-Soviet diplomats and replace them by more conciliatory, or at least less outspokenly, anti-Soviet men. The over-cautious and foxy Wellington Koo, Ambassador to London who is now also at San Francisco, wants to go to Washington as Ambassador should the United States become the seat of the International organization. Otherwise he intends to become, with Soong's benediction, the Foreign Minister, as he is considered the best possible man for the new, most delicate phase of Chinese diplomacy during the coming months. Wellington Koo is most likely to be succeeded in Europe by my close friend, Victor Hoo, who served for many years as the Chinese Minister in Switzerland, and who will leave his Secretary's job in order to go as the Chinese Ambassador either to London or to Paris.

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740.0011 P.W./5-2145

*The Secretary of War (Stimson) to the Acting Secretary of State*

WASHINGTON, 21 May 1945.

DEAR MR. SECRETARY: Following are the views of the War Department on the questions contained in your memorandum of 12 May regarding the Soviet Union in the Far East.

1. The War Department considers that Russian entry into the war against Japan will be decided by the Russians on their own military and political basis with little regard to any political action taken by the United States. The War Department's view is that while the U. S. S. R. will seek and will accept any political inducement proffered by the United States as a condition to her entry into the war against Japan, such political inducements will not in fact affect the Russian decision as to when, if ever, she will enter the war. Russian entry will have a profound military effect in that almost certainly it will materially shorten the war and thus save American lives.

Military considerations therefore do not preclude an attempt by the United States Government to obtain Soviet agreement to desirable political objectives in the Far East prior to the entry of the Soviet Union into the Pacific war.

2. The concessions to Russia on Far Eastern matters which were made at Yalta are generally matters which are within the military power of Russia to obtain regardless of U. S. military action short of war. The War Department believes that Russia is militarily capable

of defeating the Japanese and occupying Karafuto,<sup>39</sup> Manchuria, Korea and Northern China before it would be possible for the U. S. military forces to occupy these areas. Only in the Kuriles is the United States in a position to circumvent Russian initiative. If the United States were to occupy these islands to forestall Russian designs, it would be at the direct expense of the campaign to defeat Japan and would involve an unacceptable cost in American lives. Furthermore, the Russians can, if they choose, await the time when U. S. efforts will have practically completed the destruction of Japanese military power and can then seize the objectives they desire at a cost to them relatively much less than would be occasioned by their entry into the war at an early date.

From the foregoing, it appears we can bring little, if any, military leverage to bear on the Russians in so far as the Far East is concerned, unless we choose to use force. From the military point of view it would be desirable to have a complete understanding and agreement with the Russians concerning the Far East. If it is believed that the reconsideration of the Yalta agreement will assist such a complete understanding and agreement, then the War Department would favor it, but it is not believed that much good will come of a rediscussion at this time.

3. With regard to Soviet participation in the military occupation of the Japanese homeland, the War Department considers this to be a matter for political decision. From one military standpoint, this participation appears desirable, since it would reduce the military requirements of the U. S. for occupation purposes. On the other hand, our experiences with the Russians in the occupation of Germany may in the future lead to considerations which would point to the wisdom of exclusive occupation by our own forces. The discussion of this subject prior to Russian entry into the Japanese war does not appear necessary at this time.

The War Department concurs in the desirability of obtaining the four commitments and clarifications desired of the Soviet Government by the Department of State. If the present schism in China continues and, at the same time, Russian forces advance to areas giving them close contact with the Chinese Communists, our present problems in China will become more complicated, unless a prior satisfactory understanding has been reached with the Russians. However, as a preliminary, some sort of understanding between the Chinese Communists and the Generalissimo seems to be in order as of first importance.

As to emergency landing rights for commercial planes in the Kuriles, it would probably be best to make a specific proposal on this

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<sup>39</sup> South Sakhalin island.

matter to the Russians in case it is desired to discuss the subject with them. However, Russia has the military capability of implementing unilaterally the Yalta agreement (except possibly the Kuriles). Hence, as pointed out above, measures other than U. S. military assistance must be found to persuade the Russians to give their agreement to the four points listed in the State Department memorandum.

Sincerely yours,

HENRY L. STIMSON

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740.0011 P.W./5-2145

*The Secretary of the Navy (Forrestal) to the Acting Secretary of State*

WASHINGTON, 21 May 1945.

DEAR MR. SECRETARY: This is in response to your letter of 12 May 1945 and the annexed memorandum in which you request the views of the Navy Department on certain questions arising in connection with the political effects of the expected Soviet entry into the Pacific war and the relationship of the Yalta agreement on this subject.

I have seen and examined the letter of the Secretary of War to you on this subject. I am in accord with the views expressed by the Secretary of War in his reply to you. I agree with him that it is desirable that the Department of State endeavor to obtain from the Soviet Government the commitments and clarifications regarding the Far East which are set forth in your memorandum of 12 May 1945.

Sincerely yours,

JAMES FORRESTAL

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740.0011 P.W./5-2145

*The Acting Secretary of State to the Secretary of the Navy (Forrestal)*<sup>40</sup>

[WASHINGTON,] May 21, 1945.

DEAR JIM: I am enclosing herewith informally a brief study of our views with regard to the problem of the attitude we should take towards the future position and activities of Soviet Russia in the Far East. This paper is to be taken by Chip Bohlen<sup>41</sup> to Moscow when he leaves the day after tomorrow for the guidance of Ambassador Harriman, and I shall be glad if you can let me know, if possible before Bohlen's departure, whether this study is in accord with

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<sup>40</sup> A similar letter was addressed by the Acting Secretary of State on the same date to the Assistant Secretary of War (McCloy).

<sup>41</sup> Charles E. Bohlen, Assistant to the Secretary of State for White House liaison, who was to accompany Harry L. Hopkins on his special mission to the Soviet Union.



the views of the Navy Department. If you wish more time to go over it, we could cable any desired changes to Ambassador Harriman after his arrival in Moscow, but we would especially like to have the paper in his hands before his first talk with Stalin.

Sincerely yours,

JOSEPH C. GREW

[Enclosure]

*Paper Prepared in the Department of State*

Believing that the Soviet Union is as deeply and sincerely interested in the establishment and maintenance of peace, security and economic prosperity in the Far East as is the United States, it will be to the mutual advantage of the Governments of the Soviet Union and the United States to reach a firm and definite understanding in regard to various problems affecting China and Korea.

CHINA

I. The unification of China and the establishment of a strong, stable government representative of the wishes of the Chinese people and capable of effectively discharging its internal and international responsibilities is essential to the establishment and maintenance of peace and security in the Far East. A more immediate objective is the mobilization of China's human and material resources in the vigorous and effective prosecution of the war against the Japanese.

In pursuance of these objectives, we are endeavoring and will continue our efforts to influence Generalissimo Chiang Kai-shek and the leaders of the National Government to carry out the following political, military and economic measures:

*Political*

(a) To resolve the long-standing differences between the Kuomintang and Chinese Communist parties. To achieve this very substantial concessions must be made by both parties. The Kuomintang must give up its exclusive and dominant control over the government, must give legal recognition to the Chinese Communist and other Chinese political parties, must permit the duly elected representatives of other parties to participate on a fully proportional basis in the government of China, and must work with all other parties to create a representative, strong and stable government. On the other hand the Chinese Communist party should be prepared to accept any sincere proposals made by the Kuomintang which will achieve unity and stability, must be prepared to merge with the united Chinese Government their local governments, and must be prepared to observe the laws and decrees of the united government.

(b) To convene forthwith a conference of representatives of the Kuomintang, the Communist Party and other political parties, as well as certain non-party leaders to decide upon interim measures for political and military unity pending convocation of the Peoples Assembly on November 12, 1945.

(c) To insure that the Peoples Assembly shall be truly representative of the people and all political parties and that it shall agree upon and formally proclaim a constitution providing for representative government and guaranteeing to the people the rights of habeas corpus and freedom of speech, freedom of religion and freedom of assembly.

(d) To proclaim formally that constitutional government will in fact be established not later than March 12, 1946, the anniversary of the death of Dr. Sun Yat-sen.

(e) To carry out without delay thorough-going administrative and judicial reforms.

(f) To permit freedom of speech and of publication.

(g) To release all purely political prisoners and to abolish the Kuomintang secret police.

### *Military*

(a) To bring about the unification of all Chinese military forces by :

(1) The establishment of a military body in the nature of a supreme war council in which the Chinese Communists and other non-Kuomintang military groups would have fair representation and responsibility for the formulation and execution of a coordinated war program and strategy ;

(2) The placing of all Chinese forces, Kuomintang, Communist or other military groups during the period of military operations against the Japanese, under the operational command of an American commander who would be assisted by a staff composed of Chinese, Soviet and British officers ;

(3) The guaranteeing to such a unified Chinese military force of all possible supplies from the United States, the Soviet Union and Great Britain and the equitable distribution of such supplies to all units.

### *Economic*

(a) The immediate institution of fiscal and tax reforms.

(b) The adoption of immediate and vigorous measures against hoarders and profiteers.

(c) The immediate institution of measures to effect the more equitable distribution of foodstuffs and other necessities.

(d) The coordination and integration of Chinese plans for post-war rehabilitation and reconstruction with the assistance of technical advisers and experts from the United States, the Soviet Union and Great Britain.

(e) The enactment of new commercial laws and regulations embodying liberal commercial and economic policies and principles and insuring the "open door" and equal commercial opportunity to all countries.

II. The United States desires the active cooperation and support of the Soviet Union not only to achieve the political and military unification of China but also to insure the development and recognition of China as one of the principal powers of the Pacific and a bulwark of peace and security in the Far East.

(a) In our efforts to effect the political and military unification of China we seek the active cooperation of the Soviet Government by agreement to the following:

(1) Undertaking to persuade the Chinese Communists to accept reasonable Kuomintang proposals for a genuinely representative and unified Chinese Government and to continue the very commendable efforts made through negotiation with the Kuomintang to achieve such unity.

(2) Undertaking to persuade the Chinese Communists to agree to the incorporation of their forces into a unified Chinese army under the operational command of an American officer assisted by Chinese, Soviet and British staff officers and other military personnel.

(3) Undertaking only to utilize units of the unified Chinese army in military operations carried out by the Soviet Government against the Japanese in Manchuria, North China and Korea.

(4) Undertaking, in common with the United States and Great Britain to withdraw all forces, including air and naval forces from Manchuria and North China and to terminate such temporary administration as may have been established in liberated areas during the period of military operations, within three months after the cessation of hostilities in China, Japan and Korea, and furthermore, undertaking to return, at that time, such liberated areas to the full control of the Chinese National Government.

(5) Agree to the designation of Soviet officers to serve on the military staff (referred to under Section I, Military) to be set up to command the unified Chinese army.

(6) Agree to the designation of Soviet economic and technical advisers to assist the Chinese Government in the formulation and integration of its plans for post-war rehabilitation and reconstruction.

(7) Agree to supply such military equipment and supplies as the Soviet Government may have available, to the unified Chinese army.

(b) To ensure the development and recognition of China as one of the principal powers of the Pacific we seek the agreement of the Soviet Government to the following:

(1) Full and continuing respect for China's territorial integrity, including such territories as Manchuria, Sinkiang and Tibet. (However, we would not oppose any agreement respecting the exact delimitation of Sino-Soviet boundaries reached by processes of amicable

negotiation between China and the Soviet Union or through the medium of an impartial boundary commission.)

(2) That there should be full acceptance of the Cairo Declaration which provided that Formosa and the Pescadores Islands should be returned to China, and that the sovereignty of China over these islands should be formally established at the conclusion of the war against Japan.

(3) That the present prestige and influence enjoyed by the Chinese National Government in international affairs should be maintained.

## KOREA

I. By the terms of the Cairo Declaration the United States and Great Britain are unequivocally committed to the complete independence and freedom of Korea "in due course".

II. The liberation of Korea may be effected solely by the forces of the United States or the Soviet Union or jointly by the forces of the United States, China, the Soviet Union and Great Britain. Irrespective of whether such liberation is effected by the forces of one of the powers mentioned or by all four powers, it is agreed:

(a) that the United States, the Soviet Union, China and Great Britain shall participate in the administration of civil affairs in the liberated areas of Korea and furthermore, that the four powers in question shall be equally represented in such civil affairs administration.

(b) that reliable and capable *local* Koreans shall be utilized to the fullest practicable extent in the joint administration for civil affairs established during the period of military operations.

III. Upon the termination of hostilities in Korea which may occur either as the result of the destruction or unconditional surrender of Japanese forces in Korea, there shall be established a trusteeship for a period of five years. The composition and functions of such trusteeship shall be as follows:

(a) Composition: The United States, the Soviet Union, China and Great Britain shall establish a trusteeship over Korea and shall be equally represented in all military, administrative and judicial bureaus, departments or other organizations which may be established by the Governments of the four trustee powers to administer Korea during interim period prior to the establishment of a sovereign and independent Korean government.

(b) Functions:

(1) To perform the administrative, fiscal, judicial, educational, economic and social functions usually exercised by an independent government.

(2) To utilize to the fullest extent reliable and capable *local* Koreans in the execution of the various governmental functions mentioned above and to give increasing responsibility and authority dur-

ing the period of trusteeship to Koreans showing special ability, honesty and reliability.

(3) To train reliable and capable *local* Koreans in the performance of various governmental and technical duties.

(e) Period of Trusteeship: The period of trusteeship shall be for five years following the formal conclusion of hostilities against Japan.

IV. Upon the establishment of Trusteeship Administration by the four powers, the United States, the Soviet Union, China and Great Britain will withdraw *all* their respective armed forces, including ground forces, air forces and naval forces from the territories or territorial waters of Korea, except for a token force not to exceed 5,000 men from each of the four powers above named.

V. Upon termination of the five-year period of trusteeship, the complete independence and freedom of Korea shall be reaffirmed formally and publicly by the United States, the Soviet Union, China and Great Britain.

(a) There shall be established a free, sovereign and independent Korean government. The Korean people, without any interference whatsoever from other countries, shall have complete political freedom to establish such a sovereign and independent government, the composition and form of which shall represent the freely expressed wishes and desires of the Korean people.

(b) There shall be scrupulous respect by all foreign countries of the territory comprising the nation of Korea, the boundaries of which shall, if in dispute, be settled by an impartial commission appointed by the International Security Organization.

(c) Strict observance by countries interested in trading with Korea of the principle of the "open door" and equality of commercial and economic opportunity.

VI. The Security Council of the proposed International Security Organization shall consider and decide in the light of security considerations in the Far East, whether the establishment of military or naval bases on Korean territory is necessary and desirable. If the decision is affirmative, such bases shall be established by agreement with the Korean government and without impairment of Korean sovereignty.

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740.0011 P.W./5-2345

*The Secretary of the Navy (Forrestal) to the Under Secretary of State (Grew)*

WASHINGTON, 23 May 1945.

DEAR JOE: I refer to the enclosure to your note of the 21st of May relative to the problem of the attitude we should take towards the

future position and activities of Soviet Russia in the Far East. I note that the paper will be taken by Bohlen to Moscow today.

A brief examination of the paper indicates to me that the military aspects require very careful study by the U. S. military authorities. I shall endeavor to write you more fully on this subject within a few days. Meantime, I feel strongly that Harriman should be told not to go into the military aspects of this question with the Russians until he receives further advice.

Sincerely yours,

FORRESTAL

740.0011 P.W./5-2745

*The Assistant Secretary of War (McCloy) to the Acting Secretary of State*

WASHINGTON, 27 May 1945.

DEAR JOE: Attached is an informal memorandum of comments, concerning your paper for the guidance of Harriman.

There are two points in particular about this matter that trouble me. The first is the advisability of approaching the Russians in the detail this set of instructions contemplates, in view of our experience with them to date in these matters and particularly in view of the lack of Chinese reactions to the scheme. The second point is the possible effect on our military plans and operations. This reasonably requires an analysis by the War and Navy Departments and the Joint Chiefs of Staff before we proceed to the point of anything approximating military commitments. Particularly I have in mind the instructions which set up a specific type of military organization by the Supreme War Council. I feel sure that the form of this organization and its composition require careful consideration on military levels before we put so specific a plan forward. I think the attached comments cover the points we would wish to make.

Sincerely,

JOHN J. McCLOY

[Enclosure 1]

MEMORANDUM CONCERNING STATE DEPARTMENT STUDY OF U. S. ATTITUDE TOWARD SOVIET RUSSIA IN THE FAR EAST

The unification of China is most desirable from a military as well as a political standpoint.

It is noted that many of the points raised require Chinese and possibly British agreement, which may not readily be forthcoming. It is believed that at least in so far as the military aspects of the problem are concerned, the discussions with Stalin should initially be exploratory and general. If Marshal Stalin's reaction invites

presentation of definite proposals, these proposals should contain sufficient flexibility so that they can be made to fit whatever agreements can actually be worked out with the Chinese. Details such as the designation of liaison officers and technical experts might well be withheld until after Chinese agreement has been obtained. We should avoid making proposals or commitments to the Russians concerning the Chinese on which there is a doubt that Chinese acceptance can be obtained. As to the British, it is considered that they should not be approached, at least on the military matters involved, until the Russian and Chinese aspects of the problem are clarified and considered further.

The problem of unifying the Chinese military forces should be approached with the understanding that whatever organization is initially adopted, the intent is to eliminate the separate identity of National Government armies and Communist armies, amalgamating all forces into one army of China.

As to the proposal for an American commander, there is a definite question as to whether this would be acceptable to the Chinese and also a question as to whether it is the soundest action. If this idea is presented to the Russians, it is believed it should be merely as a suggestion that perhaps for an interim period an American might be either the commander or chief of staff for the amalgamated Chinese forces.

As to the proposal for a combined staff, there is nothing in our experience which indicates this is a workable solution with the Russians or would be acceptable to them. A more practicable answer from the military standpoint and also probably more acceptable to the Russians, would be the establishment of very adequate Russian liaison mission with the commander of all the Chinese forces, the functions of this mission to include the coordination required in North China and Manchuria by the entrance of Russia into the Japanese war.

The experience of our commander in China to date and the many political problems existing between the Chinese and the British make it doubtful that inclusion of the British in the military organization in China would be politically advantageous. It definitely would not be militarily advantageous. It is felt, however, that so far as the British are concerned, the military disadvantages of their participation in any U.S.-U.S.S.R.-British-Chinese undertaking can be accepted, if political considerations require their participation.

In regard to the proposal to guarantee Chinese military forces all possible supplies, the capacity of the line of communications, rather than the availability of supplies, is the present limitation on the quantity that can be furnished. When and if the Russians contact the Chinese Communists, another supply line to China will be open. However, its capacity may also be extremely limited. Eventually, of course, a port on the China Coast will give us better access to the

Chinese forces, but this may occur late in the war. Therefore, it is believed that the guarantee of supplies should recognize the limitations on the line of communications both to and within China, with the understanding that at the present time we are already doing all within our power. It is further believed that furnishing any supplies should be contingent upon equitable and effective utilization in furtherance of the war effort.

A suggested revision of the paragraphs concerning the military factors is attached; this revision, however, to be considered always in light of the preceding paragraphs of this memorandum.

[Enclosure 2]

RECOMMENDED AMENDMENTS TO BE USED AS A BASIS FOR EXPLORATORY  
CONVERSATIONS AND IN LIGHT OF ACCOMPANYING MEMORANDUM

CHINA

*Military*

(a) To bring about the unification of all Chinese military forces by:

(1) The establishment of a military advisory body initially in the nature of a supreme war council in which the Chinese Communists and other non-Kuomintang military groups would have fair representation and equal responsibility.

(2) To incorporate all Chinese forces, Kuomintang, Communist or other military groups into one Chinese army, probably initially with an American as Chief of Staff or possibly as commander. There should be adequate representation at the headquarters of the Chinese High Command of Russian, U. S., British and other forces whose operations are related to those of the Chinese armies.

(3) The commitment to such a unified Chinese military force by the U. S. and Russia of available supplies which can be delivered to China and can be distributed within China equitably to all units able to utilize these supplies in furtherance of the war effort.

II. The United States desires the active cooperation and support of the Soviet Union not only to achieve the political and military unification of China but also to insure the development and recognition of China as one of the principal powers of the Pacific and a bulwark of peace and security in the Far East.

(a) In our efforts to effect the political and military unification of China we seek the active cooperation of the Soviet Government by agreement to the following:

(1) Undertaking to persuade the Chinese Communists to accept reasonable Kuomintang proposals for a genuinely representative and unified Chinese Government and to continue the very commendable efforts made through negotiation with the Kuomintang to achieve such unity.

(2) Undertaking to persuade the Chinese Communists to agree to the incorporation of their forces into a unified Chinese army.



(3) Undertaking not to form or support Chinese units except those which are incorporated into the unified Chinese army after it is formed.

(4) Undertaking, in common with the United States and Great Britain to withdraw all forces, including air and naval forces from Manchuria and North China and to terminate such temporary administration as may have been established in liberated areas during the period of military operations, within six months after the cessation of hostilities in China, Japan, and Korea, and furthermore, undertaking to return, at that time, its liberated areas to the full control of the Chinese National Government.

(5) Agree to the designation of Soviet officers to serve as a liaison mission with the Chinese High Command in numbers adequate to coordinate Sino-Russian military operations and other military matters.

(6) Agree to the designation of Soviet economic and technical advisers to assist the Chinese Government in the formulation and integration of its plans for post-war rehabilitation and reconstruction.

(7) Agree to supply such military equipment and supplies as the Soviet Government may have available, and as can be transported and distributed to the unified Chinese army.

#### KOREA

IV. Upon the establishment of Trusteeship Administration by the four powers, the United States, the Soviet Union, China and Great Britain will withdraw all their respective armed forces, including ground forces, air forces and naval forces from the territories or territorial waters of Korea, except for a token force not to exceed 10,000 men from each of the four powers above named.

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Bohlen Collection

*Memorandum of Conversation,*<sup>41a</sup> by Mr. Charles E. Bohlen

[Extracts]

KREMLIN, May 28, 1945—8 p. m.

Present: Mr. Harry L. Hopkins  
 Ambassador W. A. Harriman  
 Mr. Charles E. Bohlen  
 Marshal Stalin  
 Mr. V. M. Molotov  
 Mr. Pavlov<sup>42</sup>

MR. HOPKINS then said that he thought they might begin today by exploring the Far Eastern questions and the war against Japan. He

<sup>41a</sup> For cabled summary, see Robert E. Sherwood, *Roosevelt and Hopkins, an Intimate History* (Harper and Brothers, N. Y., 1948), pp. 902, 903.

<sup>42</sup> Soviet interpreter.

said that the other night he had indicated to Marshal Stalin that General Marshall<sup>43</sup> and Admiral King<sup>44</sup> would find it most helpful if they could know the approximate time of Soviet entry into the Pacific War.

MARSHAL STALIN replied that it had been agreed at Yalta that the Soviet armies would be ready within two to three months after the surrender of Germany. He said that in the main the Soviet armies would be in a sufficient state of preparedness and in position by August 8, 1945. However, as to the actual date of operation he felt that would depend on the execution of the agreement made at Yalta concerning Soviet desires.<sup>45</sup> He said it was necessary to have these agreements in order to justify entry into the Pacific War in the eyes of the Soviet people. Therefore, if China should agree to these desires the Soviet Union would be ready to commence operations in August.

MR. HOPKINS stated that as he recalled it the understanding at Yalta was that President Roosevelt, and of course now President Truman, would await word from Marshal Stalin before making any approach to the Chinese.

MARSHAL STALIN replied that this was correct since they had wished to postpone discussions with the Chinese while the principal movements of Soviet troops were proceeding to the Far East. He said he thought that they could perhaps raise the question directly with T. V. Soong when he made his expected visit to Moscow.

MR. HOPKINS said he thought that it would be better to raise the question here in Moscow directly with the Chinese. He added that we must bear in mind that Chinese discretion was not of the highest order.

MARSHAL STALIN agreed and he said that possibly the first part of July would be the best time to raise the question since it would obviously be impossible to conceal from the Japanese very much longer the movement of Soviet troops.

In reply to MARSHAL STALIN's question MR. MOLOTOV stated that Mr. Soong expected to come to Moscow immediately after the San Francisco Conference.

MR. HOPKINS said that we are then in agreement that the question of the Yalta Agreement should be raised by the Soviet Government with T. V. Soong during his visit here and at the same time Ambassador Hurley could discuss it in Chungking, but we would await Soong's visit to Moscow before doing anything.

<sup>43</sup> General of the Army George C. Marshall, Chief of Staff, U. S. Army.

<sup>44</sup> Fleet Adm. Ernest J. King, Commander in Chief, United States Fleet and Chief of Naval Operations.

<sup>45</sup> Signed February 11, 1945, *Foreign Relations*, The Conferences at Malta and Yalta, 1945, p. 984; see also Department of State Executive Agreement Series No. 498 or 59 Stat. (pt. 2) 1823.

In reply to Mr. HOPKINS' question MARSHAL STALIN said that the weather in the Far East undoubtedly had a bearing on the time of the military operations since he thought that in the Autumn fogs set in which made operations difficult. He was not sure of the exact month of these fogs.

Mr. HOPKINS then said that at Yalta there had been some discussions of other Far Eastern problems, such as the question of Chinese unity and others.

MARSHAL STALIN replied that it will be necessary to have serious talks in regard to the Far Eastern problems, particularly in regard to Japan, including such questions as the zone of operations for the armies and zones of occupation in Japan. He said it would also be necessary to discuss the question of unconditional surrender in regard to Japan.

Mr. HOPKINS said he thoroughly agreed and in regard to the question of Chinese unity he knew his Government was most interested in seeing that accomplished but that he, personally, did not know of any specific plan. Ambassador Hurley had been making some attempts in that direction as the Marshal was aware and he would like to know of the Marshal's views on the prospect of Chinese unity and how it could be done.

MARSHAL STALIN replied he had no specific plan but he felt that all were agreed on the desirability of the unification of China so that China could become an integrated and stable state and not a conglomeration of separate states as had been the case in nineteenth century Germany. He then said it would be possible to develop a real policy towards China and to give her the economic help she would need, which could only come from the United States. He added that we should all occupy ourselves with helping China to achieve unity.

AMBASSADOR HARRIMAN said he would like to continue the discussions on Far Eastern problems, particularly the desires of the Soviet Union. He said Marshal Stalin undoubtedly knew that President Truman had told Mr. Molotov in Washington that it was his intention to carry out the commitments undertaken by President Roosevelt at the Crimea.

MARSHAL STALIN said he understood and appreciated that but it also depended on the Chinese.

AMBASSADOR HARRIMAN continued that it was obvious that the Soviet Union would re-assume Russia's historic position in the Far East and that it was important that both political and economic matters be settled by mutual agreement between the United States and the Soviet Union in relation to the Far East as elsewhere. For example, he mentioned that of our traditional policy of the open door in

China and inquired whether the Marshal thought China would soon become an industrial nation in a reasonable period of time.

MARSHAL STALIN replied that he did not believe that China would soon become industrialized since they lacked the necessary experience and industrial personnel. He said the United States must play the largest part in helping China to get on their feet; the Soviet Union would be occupied with its own internal reconstruction and Great Britain would be occupied elsewhere.

MR. HOPKINS said he hoped the Marshal understood that we had no exclusive interest in China or the Far East and that we did not wish to see any other nation kept out.

MARSHAL STALIN replied he fully understood that but what he had meant was that the United States was the only country that had sufficient capital and personnel to be really of assistance to China in the immediate post-war period.

AMBASSADOR HARRIMAN then said what would be the attitude of the Soviet Union if Ambassador Hurley's efforts to help in the unification of China were not successful at the time the Soviet troops entered Manchuria. Would the Marshal consider it would be possible under those circumstances to make the necessary arrangements with the Generalissimo.

MARSHAL STALIN replied that they did not propose to alter the sovereignty of the Chinese over Manchuria or any other part of China. He emphasized that the Soviet Union had no territorial claims in regard to China, either in Sinkiang or elsewhere. He said that in regard to Outer Mongolia it had been agreed at Yalta that that republic would remain in the same status it was now, namely not a part of the USSR and open to all. He said the Soviet system was not in existence in Mongolia. He added that the Soviet people would not be a factor in any way hindering Chinese unity but on the contrary would help the Chinese to achieve it. In regard to the Generalissimo the Marshal said he knew little of any Chinese leader but that he felt that Chiang Kai-shek was the best of the lot and would be the one to undertake the unification of China. He said he saw no other possible leader and that for example he did not believe that the Chinese Communist leaders were as good or would be able to bring about the unification of China.

AMBASSADOR HARRIMAN inquired when the Soviet troops entered Manchuria if the Marshal intended to ask Chiang to organize the civil administration.

MARSHAL STALIN replied that he would and that in Manchuria as in any part of China where Soviet troops went the Chinese administration would be set up by Chiang. That Chiang could send his representatives to set up the Kuomintang regime in any areas where the Red Army were.

Mr. HOPKINS said he thought that Chiang would have to take certain steps and make certain reforms if he was to bring about the unification of China.

MARSHAL STALIN agreed provided Chiang understood the necessity of these reforms. If not he did not feel they could be fixed upon from without. He repeated that the Soviet Government was prepared to talk with the Chinese and if they wanted representatives in the areas where the Red Army would be they would be quite prepared to accept them.

AMBASSADOR HARRIMAN said the Marshal had been most kind to answer so clearly and frankly the questions which had been put to him and he wished to state in regard to Japan that President Roosevelt had adopted the principle of unconditional surrender and that there was no intention on our part as far as he knew to change this principle.

MARSHAL STALIN said he was glad to hear that and he agreed with it.

MR. HOPKINS said he thought at the next meeting of the three heads of Government all these matters should be discussed.

MARSHAL STALIN agreed.

. . . . .

*President Truman to Mr. Harry L. Hopkins*<sup>46</sup>

I have received your highly important and interesting cables Nos. 291150 and 300930.<sup>47</sup>

Soong will be informed by us of Stalin's desire to see him in Moscow not later than July 1 and we will provide the necessary air transportation.

I will, at the time of Soong's arrival in Moscow, take up with Chiang the conditions stated at the Yalta Conference and elaborated in your cable No. 291150.

500.CC/6-245 : Telegram

*The Acting Secretary of State to the Secretary of State*<sup>48</sup>

WASHINGTON, June 2, 1945.

13. It was my understanding that the following telegram had been sent by the President to you directly on May 30:

"Please inform Soong orally that Marshal Stalin desires to discuss important matters with him in Moscow not later than July first.

<sup>46</sup> White House telegram No. 277 transmitted as No. 311552, May 31. Copy obtained from the Franklin D. Roosevelt Library, Hyde Park, N.Y.

<sup>47</sup> For texts of two telegrams of May 29, see Robert E. Sherwood, *Roosevelt and Hopkins* (1948), pp. 902, 903.

<sup>48</sup> Secretary of State Stettinius was attending the United Nations Conference at San Francisco.

"We will provide air transportation to Moscow upon receipt of advance information of the date of his departure.

"For your information this proposed meeting is for a discussion of the tripartite agreement reached at Yalta in regard to Japan."

GREW

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740.0011 P.W./6-245 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, June 2, 1945—3 p. m.

1200. Personal for the Ambassador. Reference is made to the memoranda sent to the War and Navy Departments on May 21st outlining the problem of the attitude we should take toward the future position and activities of the Soviet Union in the Far East, which was drawn up for your guidance.

Informal comments have been received from the War Department raising certain basic questions particularly regarding military aspects of some of the suggestions made in the memorandum. These are somewhat detailed but War Department expressed particular concern regarding the following two points:

1. The advisability of approaching the Soviets in the detail this set of instructions contemplates particularly prior to receiving Chinese reactions to the scheme.

2. The possible effect of some of the suggestions on our military plans and operations. War Department feels these would require analysis by War, Navy and Joint Chiefs of Staff before we proceed to point of anything approximating military commitments. In this connection, War Department has in mind the suggestion for the creation of a specific type of military organization by the Supreme War Council, which must be given careful consideration before so specific a plan is put forward.

In general, War Department feels that since many of the points raised in the memorandum require both Chinese and British agreement before they can be adopted, it would be best that initially the discussions with the Soviets should be exploratory and general.

The preliminary comments of the War Department go into considerable detail on certain other points in the memorandum which will be outlined to you after further study here. In the meantime, the above comments are given for your information and guidance.

GREW

740.0011 P.W./6-445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, June 4, 1945—1 p. m.

[Received 1:40 p.m.]

1883. Personal for the Secretary. Hopkins<sup>49</sup> has cabled the President<sup>50</sup> the results of our talks regarding Soviet activity in the Far East (Reurtel 1200, June 2, 3 p. m.). As a result we have no intention, unless instructed otherwise, to go further at this time or to discuss any other subjects in the Dept's memorandum referred to.

HARRIMAN

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740.0011 EW/6-445 : Telegram

*The Secretary of State to the Acting Secretary of State*

SAN FRANCISCO, June 4, 1945.

[Received June 4—12:46 a. m.]

2. Personal for the Acting Secretary. I had not previously received the telegram from the President quoted in your No. 13, June 2, in regard to Stalin's invitation to Soong. I shall convey this invitation at once. It seems to me, however, particularly in view of my conversation with Soong, described in my letter of May 30 to you,<sup>51</sup> that it would be desirable that Soong be informed concerning the Yalta tripartite agreement before he leaves the United States. He would certainly feel that we had not been frank with him if we allowed him to remain in ignorance of the agreement until he reached Moscow. Would you be good enough to ask the President whether he agrees with my feeling on this and, if so, whether he would prefer to tell Soong of the agreement in Washington or to have me tell him here.

[STETTINIUS]

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740.0011 EW/6-445 : Telegram

*The Acting Secretary of State to the Secretary of State*

WASHINGTON, June 5, 1945.

8. Personal for the Secretary. For security reasons the President feels it inadvisable at this date to tell Soong of the agreement. (Your

<sup>49</sup> Harry L. Hopkins engaged in a series of conversations with Marshal Stalin on May 26-June 6; he had retired from Government service about May 12.

<sup>50</sup> Not found in Department files; but see memorandum of conversation of June 14, p. 901.

<sup>51</sup> Not found in Department files.

telegram No. 2, June 4.) On Soong's passage through Washington en route to Moscow the President will give him a general indication of this Government's position and our understanding of the subjects Stalin wishes to discuss with him.

GREW

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761.93/6-645

*Memorandum of Conversation, by the Secretary of State*

SAN FRANCISCO, June 5, 1945.

T. V. Soong called upon me this afternoon. He stated that he had heard from his Ambassador that Mr. Hopkins had made good headway in his conversations with Stalin. I did not comment. His Ambassador had also said that he understood that Stalin and Hopkins had discussed Manchuria and Port Arthur. Dr. Soong said also that he had received certain indications from the Russians that they were coming into the war. I told Dr. Soong that either the President or I would wish to have a private talk with him prior to the time he went to Moscow on the general state of relations between the Soviet Union and China.

He inquired as to when Mr. Hopkins would reach Washington. I told him that this was uncertain. He said he hoped he could stay until the Conference ended, but it would be necessary for him to go to Chungking and see the Generalissimo before he went to Moscow. He said he hoped it would be possible for the conversation to take place between himself and myself. I told him I would let him know as soon as possible whether the conversation would take place between him and myself or between the President and himself.

Dr. Soong stated their only hope of keeping out of the Soviet orbit was a strong relationship with the United States; that this was their only hope. I asked Dr. Soong that if we were unable to reach a satisfactory solution on the veto matter in San Francisco and if the Soviet Union would not sign the Charter, what would his position be. He stated that I could depend finally and definitely on China acting with the United States and signing the Charter as agreed upon at San Francisco whether the Russians sign or not.

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761.93/6-645: Telegram

*The Secretary of State to the Acting Secretary of State*

SAN FRANCISCO, June 6, 1945.

In conversation with Dr. Soong this afternoon I told him that Marshal Stalin had communicated with President his desire that he,



Dr. Soong, come to Moscow for conversations not later than July 1. I further stated that we would make available to Dr. Soong a fast Army plane with a berth to take him to Chungking, thence to Moscow, and back to Washington. I explained to Dr. Soong that it was the President's desire to have a private discussion with him before he left for Chungking. Dr. Soong stated that he was deeply appreciative of receiving this information and particularly of our making available to him an Army plane. Also he wished to express to the President his appreciation for his willingness to see him prior to his visiting Chungking. Dr. Soong stated he was most anxious to have a conversation with Hopkins on his return from Moscow and that he had received today from his Ambassador in Moscow information that Mr. Harriman had advised that Mr. Hopkins would reach Washington approximately a week from now. Dr. Soong asked me specifically as to whether the President would discuss the matter of the Soviet Union entering the war with Japan and also whether or not I could give him any hint as to whether or not President Roosevelt had made any commitment to Marshal Stalin relative to Port Arthur. I repeated that it was impossible for me to discuss these matters in San Francisco; that discussions on both points with him would have to be postponed until he saw the President on his visit to Washington.

Dr. Soong in the first conversation this afternoon agreed he would stay on in San Francisco for a week longer and then proceed to Washington in order to have his meeting with the President and Hopkins for approximately two days; then proceed to Chungking, stating that he needed a week there with the Generalissimo, and then proceed to Moscow arriving by July 1.

The first conversation took place at 4:30. At 6:15 Dr. Soong called upon me again and stated he had thought matters over and thought it would be best for him to go to Washington at the end of this week and see the President, then return to San Francisco, participating in our deliberations next week and then return to Washington to see Mr. Hopkins on his arrival. I told Dr. Soong that I would inquire immediately as to when it would be convenient for the President to receive him either before this week-end or early next week. In this conversation I told Dr. Soong that I would be delighted to make available to him the C-54 that the Army has assigned to us and which is now in San Francisco for him to make the trip to Washington and return.

I would appreciate your wiring me urgently what day and hour the President will see Soong.

[STETTINIUS]

500.CC/6-745 : Telegram

*The Secretary of State to the Acting Secretary of State*

SAN FRANCISCO, June 7, 1945.  
 [Received June 7—1:28 p. m.]

3. I have just talked with Soong. He would prefer 11 o'clock Saturday morning. Please make this a firm commitment at the White House. He will come from San Francisco to Washington in our C-54 flying from here at 6 o'clock San Francisco time Friday afternoon.

My personal judgment is that the President should be completely frank with Dr. Soong and discuss all angles of Soviet-China-United States relations with him.

[STETTINIUS]

740.0011 P.W./6-945

*Memorandum of Conversation, by the Acting Secretary of State*

[WASHINGTON,] June 9, 1945.

I went to the President this morning at eleven o'clock and attended the interview between the President and Dr. T. V. Soong, Foreign Minister of China, which lasted for a full hour. Admiral Leahy was also present. The President told Dr. Soong of the agreements reached at Yalta with regard to the Far East and he showed the Minister the telegram which we are about to send to Ambassador Hurley on this subject.<sup>52</sup> There was a long discussion of every point, the President making it clear that he was definitely committed to the agreements reached by President Roosevelt. It is understood that Dr. Soong will leave Washington on June 15 to go first to Chungking, where he will discuss this matter with the Generalissimo, and then to Moscow to talk to Marshal Stalin.

At the end of the conference, the President asked me to send to Dr. Soong a copy of the telegram to Ambassador Hurley. I said that I would have the telegram paraphrased and would then have it sent by safe hand to place in Dr. Soong's hands personally. Dr. Soong undertook not to telegraph this information to Chungking as we impressed on him very forcibly the serious results which would flow from any leaks. This was mentioned twice in the conference.

J[OSEPH] C. G[REW]

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<sup>52</sup> *Infra*.

761.93/6-945 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 9, 1945.

White House Number 285. The President directs me to send you the following message :

"You are aware of an agreement made in February that the President would take measures to obtain from Chiang Kai-shek his concurrence in the understanding of the Soviet Government stated herewith following.

Stalin wishes to discuss his proposals directly with Soong in Moscow before the first of July.

1. Stalin has made to us a categorical statement that he will do everything he can to promote unification under the leadership of Chiang Kai-shek.

2. That this leadership should continue after the war.

3. That he wants a unified stable China and wants China to control all Manchuria as a part of a United China.

4. That he has no territorial claims against China, and that he will respect Chinese Sovereignty in all areas his troops enter to fight the Japanese.

5. That he will welcome representatives of the Generalissimo to be with his troops in Manchuria in order to facilitate the organizations of Chinese administration in Manchuria.

6. That he agrees with America's 'Open Door' policy in China.

7. That he agrees to a trusteeship for Korea under China, Great Britain, the Soviet Union, and the United States.

The conditions for Soviet participation in the war against Japan are as follows, and if these conditions are met, a Soviet attack will be made in August :

'1. The *status quo* in Outer Mongolia (The Mongolian People's Republic) shall be preserved ;

2. The former rights of Russia violated by the treacherous attack of Japan in 1904 shall be restored, viz. :

(a) the southern part of Sakhalin as well as all the islands adjacent to it shall be returned to the Soviet Union,

(b) the commercial port of Dairen shall be internationalized, the preeminent interests of the Soviet Union in this port being safeguarded and the lease of Port Arthur as a naval base of the USSR restored,

(c) the Chinese-Eastern Railroad and the South Manchurian Railroad which provides an outlet to Dairen shall be jointly operated by the establishment of a joint Soviet-Chinese company it being understood that the preeminent interests of the Soviet

Union shall be safeguarded and that China shall retain full sovereignty in Manchuria.

3. The Kuril islands shall be handed over to the Soviet Union.

4. The Soviet Union is ready to conclude with the National Government of China a pact of friendship and Alliance between the USSR and China in order to render assistance to China with its Armed forces for the purpose of liberating China from the Japanese yoke.'

Inform Chiang Kai-shek that President Roosevelt at Yalta agreed to support these Soviet claims upon the entry of Russia in the war against Japan. I am also in agreement.

T. V. Soong has been given this information.

You are hereby directed to take up this matter with Chiang on June 15th and to make every effort to obtain his approval."

GREW

893.00/6-1145

*Memorandum of Conversation, by the Acting Secretary of State*

[WASHINGTON,] June 11, 1945.

Dr. T. V. Soong, President of the Executive Yuan and Foreign Minister of China, called on me this morning and said that he wished to discuss certain points in the Yalta agreement concerning future developments in the Far East, which the President conveyed to him orally on June 9, and a copy of which I had personally placed in his hands at his residence that same afternoon. He said that, in accordance with his undertaking with the President, he had not telegraphed the text to Chungking and had merely informed the Generalissimo by wire that the document had been telegraphed to Ambassador Hurley, who would bring it to the Generalissimo's attention. Dr. Soong said that he would like some clarification regarding various points in the agreement. These concerned:

(1) The *status quo* in Outer Mongolia. Dr. Soong said that this term was open to various interpretations and he hoped that the question of the meaning of the term *status quo* would not be raised and that matters would simply be left as they are.

(2) He was entirely in favor of the agreement concerning Sakhalin.

(3) With regard to the establishment of a free port at Dairen, Dr. Soong assumed that Chinese sovereignty would be recognized and that the civil administration of the port would be Chinese.

(4) With regard to the lease of Port Arthur, Dr. Soong pointed out that the former lease to the Japanese was only for twenty-five years, and that while the Japanese had pressed for an extension to ninety-nine years, this had never been done.

(5) With regard to the South Manchurian Railway, the Japanese in controlling the railway had insisted on a zone on each

side of the railway, which would also be under Japanese control. Dr. Soong expressed the hope that the Russians did not visualize controlling a similar zone along the railway and moving troops into that area. I said that the understanding was that there should be a combined Chinese and Russian control of the railway, and that, presumably, China would also be in a position to keep troops there if it wished. Dr. Soong replied that it would be objectionable to China to have any foreign troops in Manchuria.

(6) Dr. Soong asked me what was to be understood by the provision in the Yalta agreement that consideration should be given to Russia's predominant interest in Manchuria.

I said to Dr. Soong that not having been myself present at Yalta I was not in a position to interpret the various points in the agreement, and I assumed that these things would have to be ironed out at the next meeting of the Big Three. In any case, Dr. Soong would see Marshal Stalin prior to the meeting of the Big Three and would have an opportunity to discuss the agreement then. I said that our Government was committed by President Roosevelt to support the agreement as it stands, to which Dr. Soong replied, "The question arises as to just what you have agreed to support."

Dr. Soong said that he was very anxious to get into touch with Harry Hopkins and wanted to know when and where he could see him. I said that Mr. Hopkins was arriving in Washington tomorrow afternoon, and I thought that Dr. Soong could readily make an appointment to see him on the following day. Mr. Soong said that he would telephone Mr. Hopkins direct in order to make an appointment.<sup>53</sup>

The Minister then asked me whether an agreement could be drawn up by which we would recognize Chinese civil government in any areas which we might occupy in China, presuming that we would effect landings there. He reminded me that he had taken this up with the President on Saturday. I said that this was essentially a military matter, which had been under consideration by our military authorities, and I thought it highly unlikely that they would be willing to enter into such agreement until their plans for possible landings in China had been perfected. Dr. Soong tried to press the matter but I gave him no encouragement.<sup>54</sup>

I then said to Dr. Soong that Dr. H. H. Kung had formally negotiated with Mr. Morgenthau<sup>55</sup> concerning the payment to China of expenses in connection with the support of our troops in China, and that Mr. Morgenthau would be glad to know whether he should now continue these negotiations with Dr. Kung or whether he, Dr. Soong, as President of the Executive Yuan and Foreign Minister,

<sup>53</sup> See memorandum of conversation of June 14 by the Acting Secretary of State Grew, p. 901.

<sup>54</sup> For further documentation on this subject, see pp. 1483 ff.

<sup>55</sup> Henry Morgenthau, Jr., Secretary of the Treasury.

would prefer to conduct the negotiations himself. Dr. Soong said that as he had so little time left in Washington he doubted if he could do it, but that he was to see Mr. Morgenthau shortly and would discuss the matter with him. In the meantime, he wished to reserve his opinion.<sup>56</sup>

JOSEPH C. GREW

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761.93/6-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[CHUNGKING,] June 13, 1945.

7128. I received from you a message White House No. 285 dated June 9 to be delivered to Chiang Kai-shek on June 15. On June 12 at 5 p. m. the Soviet Ambassador called on Chiang Kai-shek and submitted to him the conditions upon which the Soviet was ready to take action. The conditions are those enumerated in the last half of the President's message subjects numbers 1 to 4 inclusive. The conditions covered in the first half of the President's message numbers 1 to 7 inclusive were not mentioned to the Generalissimo by the Soviet Ambassador.

Under instructions I will not deliver the President's message to the Generalissimo until June 15 as directed. I know there has been some change in the plan for the presentation of this matter to Chiang Kai-shek. President Roosevelt told me that he had agreed with Marshal Stalin that the matter would be presented and explained to Chiang Kai-shek by me at the proper time. Marshal Stalin agreed with President Roosevelt (see my message No. 1212 dated April 17 at 7 p. m.<sup>57</sup>), that when the time came for discussions with Chiang Kai-shek they would be initiated by me.

The President's message to me dated May 12 stated "We will endeavor to get by [to] Chiang Kai-shek through you at earliest practicable time all available information." In your telegram of June 9 White House No. 285 it is stated that "Stalin wishes to discuss his proposal direct with Soong in Moscow" and further, "T. V. Soong has been given this information."

The Generalissimo is discussing all the proposals with me. I am spending tonight with him at his home in the country but owing to the deadline of June 15 placed on my presentation I will not present White House No. 285 until that date but will discuss with the Generalissimo all subjects raised by him until that time. I do not know what importance is attached to the date of June 15 since we now

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<sup>56</sup> For further documentation on this subject, see pp. 1055 ff.

<sup>57</sup> Telegram No. 1212, April 17, 7 p. m., from the Chargé in the Soviet Union, *ante*, p. 338.

know that most of the subject matter has already been presented to the Generalissimo but I wanted you to know that I am following instructions regarding date of presentation.

[HURLEY]

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893.00/6-1445

*Memorandum of Conversation, by the Acting Secretary of State*<sup>58</sup>

[WASHINGTON,] June 14, 1945.

Participants: The President  
Dr. T. V. Soong  
Acting Secretary, Mr. Grew  
Mr. Charles E. Bohlen

I called on the President this morning and after a preliminary talk with the President and Chip Bohlen, Dr. Soong was shown in and the following conversation took place:

The President said that after reading the minutes of Mr. Hopkins' conversations in Moscow he was able to tell Dr. Soong that Stalin's assurances with respect to the sovereignty of China in Manchuria and elsewhere had been even more categorical than he had told Dr. Soong the last time he saw him. The President said that Marshal Stalin had stated that he had no territorial claims of any kind against China and that furthermore he intended to work with Chiang Kai-shek and the central government since he considered that Chiang Kai-shek was the only Chinese leader capable of bringing about the unification of China; that none of the Communist leaders were capable of unifying China; and that the Soviet Government was prepared to lend its help to bring about China's unity. He added that Marshal Stalin had further stated he would be quite prepared to have representatives of the central government come to the areas of Manchuria or China where the Soviet armies might be operating in order to set up immediately Chinese administration of the liberated areas.

Dr. Soong expressed his gratification at this news and then said that he had a number of points he would like to clarify with the President. He said that the information the President had given him concerning the Yalta understanding had referred to the reestablishment of Russian rights in Manchuria which had been lost as a result of the Russian-Japanese war of 1904. He said these rights had been quite sweeping in their scope and had been based upon concessions made to Russia by China after the Chinese-Japanese war in 1895. Dr. Soong then pointed out that in the Soviet-Chinese Treaty

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<sup>58</sup> Notation on the original: "Copy taken by Mr. Bohlen to [the] Secretary at S[an] F[rancisco]—6/16/45".

of 1924<sup>59</sup> and the Soviet Treaty of 1925 [1924] made with Chang Tso Lin<sup>60</sup> the Soviet Government had specifically renounced all these special concessions, leases, and privileged position including extra-territoriality by its own free will. He said it would be necessary to clarify all these points with Stalin when he went to Moscow and also the meaning of the term "preeminent interest" of the Soviet Union in the port of Dairen. He added that for China the most difficult feature of the Soviet desires was the lease on Port Arthur since after all the suffering in this war the Chinese Government and people were very much against the reestablishment of the system of special leased ports in China.

With the President's permission Dr. Soong then asked Mr. Bohlen if he thought the Russians intended to sign a definite agreement with him when he was in Moscow with particular reference to the Treaty of Friendship and Mutual Assistance referred to in the Yalta agreement. Mr. Bohlen said he had no information on that specific point and thought that that would naturally depend on the course of Dr. Soong's discussions in Moscow. He added that he thought, however, that if the Soviet Union were to enter the war against Japan it would desire to do so on the basis of complete agreement with China and as an ally with China, Great Britain, and the United States.

Dr. Soong then inquired whether the President contemplated some general agreement in regard to the surrender terms for Japan among the principal allies in the Pacific war. The President said that the terms of surrender would be imposed on Japan by the Allies and that he thought some such general agreement would be both necessary and desirable but he thought it should be done when the Soviet Union entered the war. He added that his chief interest now was to see the Soviet Union participate in the Far Eastern war in sufficient time to be of help in shortening the war and thus save American and Chinese lives. Although this was his chief preoccupation at the moment he said he wished to assure Dr. Soong that he would do nothing which would harm the interests of China since China was a friend of the United States in the Far East. The President continued that just as in Europe the United States desired above all to see these postwar questions settled in such a way as to eliminate any tinderboxes both in Europe and in the Far East which might cause future trouble and wars. He said for example we had no selfish interest in Poland but a very vital interest in seeing the Polish question settled in such a manner as to insure tranquility and stability.

Dr. Soong expressed agreement with the President's remarks and said there was no nation in the world that China regarded as more

<sup>59</sup> Signed at Peking, May 31, 1924, *Foreign Relations, 1924*, vol. I, p. 495.

<sup>60</sup> Signed at Mukden, September 20, 1924; *British and Foreign State Papers*, vol. CXXII, p. 271.



of a friend than the United States. He asked the President if he had any message other than those already given to him for the Generalissimo. The President replied only that he might tell the Generalissimo that he hoped some day to have a meeting with him so they might talk face to face.

[Here follows a section dealing with Belgian and French missions in the United States.]

JOSEPH C. GREW

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Nanking Embassy Files, Lot F-73: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[CHUNGKING,] June 15, 1945.

151715. For the President from Ambassador Hurley. I presented President Truman's message to Chiang Kai-shek this morning at 10 o'clock. The Generalissimo said that he would not make a formal reply to the message until the arrival of Soong. He discussed the entire message with me informally. He raised three preliminary questions. He said that the answer to these questions would assist him in making a quick decision on the arrival of Soong. The questions are:

(1) Would the Government of the United States participate in the joint use of Port Arthur as a naval base for the maintenance of peace in the Pacific?

If the United States considered joint use desirable, China will make a suggestion to that effect in answer to Soviet Union's proposals. The Generalissimo said that if the United States decides that it would participate in the use of Port Arthur as a naval base, he would then suggest, if agreeable to the United States, the advisability of permitting Britain to participate also thereby making China, the Soviet Union, Britain and the United States—the "Big Four" nations in the war—participate jointly in the use of Port Arthur as a naval base.

(2) The Generalissimo is anxious for the United States to be a party to China's agreement with the Soviet Union. The presence of a third party he believes will make more certain compliance with the terms of the agreement when finally consummated. On this same theory he would have no objections if the United States thought it proper to have both the United States and Britain parties to China's agreement with the Soviet Union.

(3) The Generalissimo suggested for the purpose of discussion that questions pertaining to transfer of Sakhalin and the Kuriles seem matters for consideration of the United Nations or at least China, Britain, Soviet and United States rather than Soviet and China alone.

The Generalissimo frankly desires the United States and if agreeable to the United States, Britain, to participate in China's treaty with the Soviet Union. He points out that the agreement for trusteeship for Korea under China, Britain, Soviet and United States indicates advisability of four-party agreement all the way through.

On the suggestion of the Generalissimo I omitted from the official communication to him the following two sentences, "Stalin wishes to discuss his proposals direct with Soong in Moscow before the first of July," and "T. V. Soong has been given this information." The Generalissimo said that his reason for keeping these two sentences out of the official document indicates no lack of desire on his part to have Soong handle negotiations for China but if foregoing suggestions are acceptable to the United States then the United States and Britain would in all probability desire to have representatives present for the discussion of the problems and the consummation of the agreement.

[HURLEY]

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761.93/6-1545 : Telegram

*President Truman to Marshal Stalin*<sup>61</sup>

[WASHINGTON,] 15 June 1945—3:03 p. m.

292. T. V. Soong departed by airplane today for Moscow via Chungking. He will arrive Moscow before July 1st to discuss details of arrangements for Soviet-Chinese agreements.

Ambassador Hurley has been directed<sup>62</sup> to inform Chiang Kai-shek on June 15th of Soviet conditions and to make every effort to obtain the Generalissimo's agreement therewith. Hurley is directed to inform Chiang Kai-shek that the Yalta agreement will have the support of the United States Government.

TRUMAN

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Moscow Embassy Files—710 Sino-Soviet Relations : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman*

[Paraphrase]

[Moscow, June 15, 1945.]

151930. This evening I delivered to Marshal Stalin the message transmitted in your White House No. 292. I feel, however, I should point out that at Yalta it was agreed that President Roosevelt

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<sup>61</sup> Copy obtained from former President Harry S. Truman.

<sup>62</sup> Telegram No. 285, June 9, p. 897.

would not take the matter up with the Generalissimo until Marshal Stalin had indicated he was prepared to withstand a Japanese attack. It was recognized that in Chungking there was danger of a leak to the Japanese and that the initiative might then be taken by them.

Marshal Stalin, when Ambassador Hurley was in Moscow, again stated to Hurley and myself that he wished to be consulted before the matter was discussed with Chiang Kai-shek.

When Hopkins and I recently discussed this question with Stalin the Marshal stated that he would initiate the discussion with T. V. Soong if he came to Moscow toward the end of June, and asked that Hurley support it with the Generalissimo simultaneously. He said he considered that by the first of July his troops would be ready to withstand an attack.

I do not believe that Stalin will object seriously to the instructions you have issued to Ambassador Hurley, but unless it is too late I feel it would be wiser to adhere to Stalin's repeated request and obtain his prior approval. I can take the matter up at once with Marshal Stalin if you should decide to do this.

In order to avoid a misunderstanding I suggest that in any event I be instructed to inform Stalin of the circumstances which caused instructions to be given Hurley to go ahead before Stalin was consulted.

[HARRIMAN]

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Moscow Embassy Files—710 Sino-Soviet Relations : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman*

[Paraphrase]

[Moscow, June 16, 1945.]

160900. Subsequent to the dispatch of my wire of last night<sup>63</sup> I delivered your message to Marshal Stalin personally to Vice Commissar Vyshinski who has been familiar with the negotiations leading up to the Yalta Agreement and with whom I have had several conversations on the subject. I asked him to deliver your message personally at once to Marshal Stalin, to discuss its contents with him, and to tell Marshal Stalin that I was ready to call on him if there was any question about it which he wished to raise. I also asked him to telephone me the reaction of the Marshal.

Vyshinski telephoned me later in the night that Marshal Stalin had asked him to tell me he was satisfied with your message and

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<sup>63</sup> *Supra.*

that he was sending you a reply.<sup>64</sup> Vyshinski said that when I saw him today he would give me more details.

I hope you will understand why I was concerned last night. It has been my experience that any deviation from an agreement reached with the Soviets is apt to arouse unforeseeable and unreasonable suspicions. In this matter I have been the only individual whom President Roosevelt used to negotiate Russia's participation in the war against Japan and the political agreement in connection therewith. I conducted all the conversations with Marshal Stalin leading up to the Yalta Agreement and I was, with the exception of Bohlen, the only one present at the personal conversations between President Roosevelt and Marshal Stalin at Yalta when the agreement was concluded. Because of the definite assurances I had given Marshal Stalin that no approach would be made to the Generalissimo without Stalin's prior approval, I wanted to make sure that he did not gain some strange impression such as that we were now attempting to force his hand and provoke a Japanese attack by talking prematurely in Chungking.

My conversation last night with Vyshinski certainly did not do any harm and may possibly have prevented some misconception on Stalin's part.

I am glad that Soong will arrive in Moscow before July 1. As he is sure to get in touch with me when he reaches Moscow, it would be helpful if before then I could be informed of the developments in Chungking.

[HARRIMAN]

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500.CC/6-1645

*Memorandum of Conversation, by the Acting Secretary of State*

[Extracts]

[WASHINGTON,] JUNE 16, 1945.

I called on the President in his study in the White House at 6:50 this evening and took up the following matters:

6. I then referred to Ambassador Hurley's telegram<sup>65</sup> to the President setting forth certain questions which had been asked by Chiang Kai-shek with regard to the implementation of certain points in the Yalta agreement with regard to the Far East, which Admiral Leahy had sent to me with the request that we draft a reply to Ambassador Hurley. I said to the President that I did not see how we could possibly

<sup>64</sup> This reply stated: "I have received your message concerning the preparation of the Soviet-Chinese agreement and your instructions to Mr. Hurley. Thank you for the measures which you have taken."

<sup>65</sup> Telegram No. 151715, June 15, p. 903.

answer these questions until the matter had been discussed with Marshal Stalin, and I thought the replies would have to await the meeting of the Big Three. I also said that I did not see how Dr. Soong could very well take these matters up with Marshal Stalin himself without the presence of the others. The President definitely concurred and said that Chiang Kai-shek and Dr. Soong know everything that he knows about the agreement, and that while he is definitely committed to the agreement, as stated, he is not in a position to expand the interpretation of it. He agreed that I should reply to Ambassador Hurley along the foregoing lines. . . .

JOSEPH C. GREW

861.34594C/6-1845 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 18, 1945—8 p. m.

932. As you know the President is wholly committed to the fulfillment of the agreement made at Yalta in the terms communicated to you, and that agreement provides that Port Arthur be leased as a naval base to Russia.

I think that you will understand therefore that this Government could not very well agree to participate in the joint use of Port Arthur as a naval base or become a party to China's agreement with the Soviet Union. It would seem in any case highly doubtful that the Soviet Union would consent to a tripartite or multilateral pact, since the purpose of such a pact would be to regulate Sino-Soviet relations.

GREW

761.93/6-2745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>66</sup>

CHUNGKING, June 27, 1945—1 p. m.

[Received June 27—10 a. m.]

1058. I have been in daily conferences with the Generalissimo, Soong and Wang<sup>67</sup> since Soong's return. They have been kind enough to discuss frankly with me all matters pertaining to your White House No. 285.<sup>68</sup> Soong and Petrov left here together by plane for Russia today.

<sup>66</sup> Repeated to the Ambassador in the Soviet Union in telegram No. 1458, June 29, 1 p. m.

<sup>67</sup> Wang Shih-chieh, Chinese Minister of Information; appointed Minister for Foreign Affairs on July 30, 1945.

<sup>68</sup> Telegram of June 9, p. 897.

China still desires that agreement with Soviet will eventually become multilateral under the supervision of the United Nations. I am convinced that Soviet and China will be able to reach an agreement quickly.

The two words in Yalta decision that are still causing most trouble were those referred to in my telegram to the President, No. 101142, May 10. China will endeavor to make terms agreeable to Soviet but under specific definitions rather than under general terms. China wishes to avoid the use of words that are in conflict with territorial integrity and independent sovereignty but is agreeable to meeting the terms.

Prime Minister Soong handed me today the following letter dated at Chungking, June 25, 1945:

"My dear Ambassador: I am asked by President Chiang Kai-shek to acknowledge receipt of your letter of the 15th inst. submitting, by direction of President Truman, an outline of a proposed agreement between the National Government and the Union of Soviet Socialist Republics. I am also to say that in accordance with arrangements I am proceeding to Moscow to arrive before the first of July to negotiate with the Soviet Government, and that the U. S. Government will be informed at all times of the progress of these negotiations.

I wish to request that Your Excellency will be so good as to transmit this note to President Truman.

Sincerely yours, (S) T. V. Soong."

HURLEY

761.93/6-2845: Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman*<sup>69</sup>

Moscow, 28 June 1945—10:15 a. m.

281015. I understand from the Chinese Ambassador here that T. V. Soong is expected to arrive in Moscow the 29th or 30th of June. It would be most helpful if I could be informed of the Generalissimo's reaction to the part of the Yalta Agreement which requires his approval. I am sure that Soong will keep me informed of his conversations with the Russians and it would be most useful if I could be advised:

- (1) Of the present status of negotiations between the National Government and the Communists,
- (2) Of any aspect of the proposed Soviet-Chinese military pact in which we may have special interest,
- (3) Whether there are any special commitments which we desire the Russians to take towards the Generalissimo and the National Government. For example you will recall that when Harry and I discussed this question with Stalin he committed himself to allowing

<sup>69</sup> Copy obtained from former President Harry S. Truman.

the representatives of the National Government to go into Manchuria with the Red Army in order to establish Chinese administration.<sup>69a</sup> I assume that the question of Chinese sovereignty in Manchuria as affected by the agreement regarding Soviet special interest in the railroads and ports is a matter that will be discussed at this time and is of interest to us.

During the many talks I have had with Stalin in the past 18 months on the subject of the Japanese war, China and Soviet-Chinese relations he has repeatedly stated that he recognized the desirability of our taking the lead in many Chinese questions and has at all times shown a willingness to discuss Soviet-Chinese relations. Soong's presence in Moscow will give me another opportunity to explore with Stalin any aspects of the situation or obtain information as to his latest attitude prior to your meeting him.

[HARRIMAN]

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761.93/6-2845 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, June 28, 1945—2 p. m.  
[Received June 28—11:34 a. m.]

2306. Personal for Bohlen. Via Navy I have sent today message to the White House regarding one of the matters Harry and I took up in Moscow. Would appreciate your doing what you can to expedite answers to my questions.

HARRIMAN

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Moscow Embassy Files—710 Sino-Soviet Relations : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Harriman)*

[Paraphrase]

[WASHINGTON, June 29, 1945.]

White House No. 307.

1) I have been directed by the President to send you (Reference your 281015 June 28) the following message received from Ambassador Hurley today:<sup>70</sup>

“Since Soong's return I have been in daily conference with the Generalissimo, Soong and Tang [*Wang*]. They have been kind enough to discuss frankly with me all matters pertaining to your White House message transmitting the Yalta Agreement.

<sup>69a</sup> See memorandum of May 28, p. 887.

<sup>70</sup> See telegram No. 1058, June 27, 1 p. m., from the Ambassador in China, p. 907.

"It is China's desire that agreement with Soviets will eventually become multilateral under the supervision of the United Nations. I am convinced that Soviets and China will be able quickly to reach an agreement.

"'Preeminent' and 'Lease' are the two words in the Yalta decision that are still causing most trouble. China will endeavor to make terms agreeable to Soviets but under specific definitions rather than under general terms. China wishes to avoid the use of words that are in conflict with territorial integrity and independent sovereignty but is agreeable to meeting the terms."

2) The following is the present status of negotiations between Chiang's Government and the Communists as reported by Ambassador Hurley on May 20:

"We have succeeded in having the National Government recognize the Chinese Communist armed party as a political party by appointing a Chinese Communist as a delegate to represent the National Government at San Francisco. By accepting the appointment the Communists recognize the National Government. We have visited with the Communist leaders in their own territory. We have brought about conferences between the Communist and National leaders in which they seem to have eliminated some of their conflicts. In the controversy between the Government and the Communist Party we had two major objectives (a) to avoid what appeared to be an immediately impending civil war and, (b) to unite the Communist and National Government armies to fight Japan under one commander.

"The possibility of a satisfactory solution is indicated by Russia's approval for unification of the armed forces of China and the fact that Chiang Kai Shek is now working for unification. However, the Communist Armed Party still contends, and in my opinion with some degree of reasonableness, that they will not submit their troops to the command of the Chinese National Government unless an American or other Allied officer is placed in command under the National Government of all the Chinese armed forces."

[GREW]

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Moscow Embassy Files—710 Sino-Soviet Relations: Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Acting Secretary of State*

[Paraphrase]

[Moscow, July 1, 1945.]

Reference White House Message No. 307, June 29. This morning I called on Soong at his request. He told me that he and his Ambassador had been received last night by Stalin with Molotov and the Soviet Ambassador to China present. Soong delivered a letter from Chiang which stated that Soong was fully authorized to speak in the



name of and on behalf of the Generalissimo on all matters. Soong referred to the cordial relations that had previously existed between Russia and China and expressed the desire that these relations should be reestablished, emphasizing their importance to China. Stalin agreed and stated that such relations were equally important to the Soviet Union. The conversation was general and it was agreed that at the next meeting, which Soong expects to be on Monday, detailed discussions should commence.

I was informed by Soong of his conversations in Washington and the Generalissimo's reaction to his conversations with Hurley. He said he would keep me fully informed of his negotiations with Stalin. I urged him to attempt to reach full agreement on all outstanding subjects as I believed that a better opportunity than the present would never present itself.

Soong discussed with me his problems in detail and I believe I will be in position to report intimately the developments of the negotiations. I will therefore continue, unless instructed otherwise, to use the Navy channel of communication in order that the security of messages may be guarded as in the case of messages to and from the White House.

[HARRIMAN]

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Moscow Embassy Files—710 Sino-Soviet Relations: Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

[Paraphrase]

[Moscow, July 3, 1945.]

[031200.] This morning I called on Soong at his request. He gave me to read the detailed English notes of his second talk with Stalin which took place last night. Molotov, Lozovsky, Vice Commissar for Foreign Affairs, and Petrov were present at the conversation.

What most disturbed Soong is Stalin's insistence that the interpretation of the phrase "*status quo* in Outer Mongolia shall be preserved" means that the Chinese Government should recognize the independence of Outer Mongolia.

Soong argued that this should be interpreted to mean that China would not at the present time raise the issue but would allow the situation that presently exists to continue. He told Stalin that China could not agree to the cession of territory, that it would complicate the question of Tibet, and that no Government in China could last if it ceded Outer Mongolia. He explained to me that it was a matter of principle deep in Chinese psychology and that although they recognized they could not exercise suzerainty over Outer Mongolia at the

present time, the Chinese would be unwilling to support a Government which gave up Chinese claims to this territory for all time.

The military importance of Outer Mongolia to Russia was emphasized by Stalin, as well as the dangers from possible Japanese recovery and the necessity of Russia having the right to move troops freely in Outer Mongolia.

China, Soong said, would assent to free movement of Russian troops in Outer Mongolia or any other formula which would not finally and permanently give up China's claims. Stalin suggested a secret agreement on the independence of Outer Mongolia which might be published after the defeat of Japan. This Soong objected to also. He is cabling for instructions from Chiang.

Soong asked me what the understanding of President Roosevelt was on this point, and said that he understood President Truman interpreted the Soviet proposal in the same manner that he (Soong) did. I told him that to my knowledge there had been no discussion of interpretation. The words were accepted as written. He has asked me to telegraph urgently to ascertain the interpretation of the United States Government.

He is hopeful of reaching agreement on the railroads and ports. Stalin is making some expanded demands in connection with the detailed arrangements. However, Soong hopes to be able to negotiate a reasonably satisfactory understanding. In a subsequent message I will deal with this subject.

The negotiations, says Soong, are at a standstill until the Outer Mongolian question is settled, and he feels it is essential for him to know the interpretation placed on this provision by the United States Government.

[HARRIMAN]

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Moscow Embassy Files—710 Sino-Soviet Relations: Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

[Paraphrase]

[Moscow, July 3, 1945.]

Stalin, in discussing the operation of the Chinese Eastern and South Manchurian railroads, proposed that the ownership of the railroads should be Russian, that they should be operated by a joint Soviet-Chinese board, but that the management should be Russian. Soong contended that the ownership of the railroads should be Chinese and that they should be operated by a Soviet-Chinese company with

joint responsibility and a mixed management, partly Chinese and partly Russian. Stalin indicated that he was not interested in the subsidiary lines, but only in the main lines. However, Molotov raised the question of control of the coal production for the operation of the railroad. Stalin agreed that Russia should have the right to move troops only in time of war or in preparation for threat of war. He further agreed that Russia should not have the right to station troops in Manchuria.

With reference to the port of Dairen, Stalin interpreted "internationalization" as meaning that it should be subject to Chinese and Russian control, that no other country was to be involved and that Russia should have a preeminent interest in the port as against China and there should be a Russian management. Half the revenues of the port should go to Russia and half to China. Soong maintained that the port should be a free port under Chinese administration with some Russian technical assistance and with full rights for Russia to use the port freely.

With reference to Port Arthur, Stalin agreed to eliminate the word "lease" and work for some basis by which both countries could have naval facilities.

Generalissimo Stalin proposed that the agreement regarding the railroads and ports should be for a 45-year period. There was no attempt to arrive at a decision as these discussions were of an exploratory nature.

I was asked by Soong what was the understanding of the United States Government as to the proposed arrangements in connection with the railroads and the ports. I told him I knew of no detailed understandings other than as expressed in the agreement. He is anxious to know urgently what is the interpretation of the United States Government of these provisions and particularly what we have in mind in connection with the "internationalization of the port of Dairen". He feels that if China herself does not control the operations of the port it would interfere with Chinese sovereignty.

Soong was reassured by Stalin's statements on the question of the sovereignty of China in Manchuria. Stalin agreed that representatives of the Chinese National Government should accompany the Red Army when it advances into Manchuria, to organize the government. Stalin told Soong it was important that competent individuals be appointed by the National Government.

In response to Stalin's inquiry regarding the National Government's attitude toward the Communists, Soong told him that the Generalissimo was prepared to bring Communist representation into the government but that the Kuomintang should be in control. Soong

said Stalin appeared to agree in principle but there was no detailed discussion or agreement as to the understanding to be reached with the Communists. Again this discussion appeared to be preliminary.

There was no discussion of the problems in Sinkiang. However, Soong told me that the Generalissimo was considering the appointment of his son as Governor of Sinkiang, believing that this would improve relations with the Soviets in this province because of his sympathetic attitude toward the Soviets.

With reference to Korea, Stalin confirmed to Soong his agreement to establish a 4-power trusteeship. Molotov interjected that this was an unusual arrangement with no parallel and that therefore it would be necessary to come to a detailed understanding. Stalin stated that there should be no foreign troops or foreign police in Korea. Soong understands that the Russians have two Korean divisions trained in Siberia. He believes that these troops will be left in Korea and that there will be Soviet-trained political personnel who will also be brought into the country. He is fearful that under these conditions the Soviets will obtain domination of Korean affairs even with a 4-power trusteeship.

[HARRIMAN]

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Moscow Embassy Files—710 Sino-Soviet Relations: Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

[Paraphrase]

[WASHINGTON, July 4, 1945.]

White House No. 308. Reference your 031200,<sup>71</sup> the President and I feel it would be unwise for this Government to attempt to act as interpreter on this or any other point of the Yalta Agreement in connection with the present bi-lateral Chinese-Soviet talks. However, you may informally confirm to Soong your understanding that in so far as this Government is concerned there was no discussion of interpretation on the sentence of the Yalta decision relating to the status of Outer Mongolia and that in the absence of such discussion the accepted meaning of the words as written would be that the present factual and juridical status of Outer Mongolia are to be preserved. You should make it plain to Soong that this Government cannot give any official interpretation of the words contained in the Yalta decision and that the informal confirmation of your interpretation is for his information only and not for use in his discussion with Soviet officials.

<sup>71</sup> July 3, p. 911.

For your information only as we understand it the *status quo* is that while the *de jure* sovereignty of Outer Mongolia remains vested in China *de facto* this sovereignty is not exercised. In conformity with the Nine Power Treaty of 1922<sup>72</sup> the United States Government has carefully refrained from any indication that it considered the outlying dependencies of China such as Outer Mongolia to be in a status different from the rest of China.

[BYRNES]

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761.93/7-545: Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*<sup>73</sup>

Moscow, 5 July 1945—11:39 a.m.

051139. I called on Dr. Soong this morning and carried out the instructions contained in White House message number 308<sup>73a</sup> regarding Outer Mongolia. He repeated what he said in our first talk that he was asking for the information for his own guidance and that he had no intention of bringing the United States' understanding or interpretation of the various provisions of the Yalta Agreement into his discussions with Stalin. He recognizes that this would be unwise from his own standpoint as well as from that of the United States.

He expects to see Stalin tonight again and to inform him that he is prepared to accept the Yalta provision on Outer Mongolia as worded. He will tell Stalin again that no government in China could survive if it recognized the independence of Outer Mongolia and hopes to be able to convince Stalin that the Generalissimo cannot agree to do so. He is hopeful that if he can come to an agreement with Stalin over Outer Mongolia an understanding can be worked out in regard to the ports and railroads.

He would greatly appreciate however receiving informally our attitude in regard to the questions raised in my number 031500 [031200].<sup>73b</sup> If no agreement can be reached however on Outer Mongolia he states the conversations will break down. I urged on him the desirability of arriving at an agreement on a bilateral basis and pointed out the many [dis]advantages of the failure to reach an understanding at this time.

[HARRIMAN]

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<sup>72</sup> Signed at Washington, February 6, 1922, *Foreign Relations*, 1922, vol. I, p. 276.

<sup>73</sup> Copy obtained from former President Harry S. Truman.

<sup>73a</sup> July 4, *supra*.

<sup>73b</sup> July 3, p. 911.

761.93/7-645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 6, 1945—8 a.m.

[Received 1:55 p.m.]

1108. Received from Generalissimo today Soong's first progress report. Soong stated you are kept fully advised by Harriman. Consequently, have decided best for me not to attempt detailed report from here on Moscow proceedings. (Repeated to Moscow.) Meeting again with Generalissimo and his advisors this afternoon. Will report any major definite reactions.

HURLEY

761.93/7-645: Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*<sup>73c</sup>

[WASHINGTON,] 6 July, 1945—3:11 p. m.

310. Reference your No. 031500 [031200], July 3, 1945.<sup>73a</sup>

(1) The considerations against our becoming involved in acting as interpreter of the terms of the Yalta Agreement in connection with the bilateral Soviet-Chinese talks, as communicated to you in reply to your previous telegram, are of course equally applicable in general to the contents of your telegram under reference.

(2) The President and I desire, however, that you inform both the Soviet Government and T. V. Soong that as a party to the Yalta Agreement we would expect to be consulted before any arrangement is concluded between the Soviet and Chinese Governments based on the Yalta Agreement.

(3) For your own information we propose at an appropriate time to make clear to the Soviet and Chinese Governments that while the United States has no desire to participate in the administration or control of the port of Dairen, this Government will expect assurances that in any arrangements made between the Governments of the Soviet Union and China the principle of nondiscrimination in international commercial intercourse will be respected in relation to Dairen, as well as any other areas which may be the subject of special arrangements between the Soviet Union and China. Application of this principle would cover, *inter alia*, the right of equal access by nationals of all peace-loving nations to the port facilities of Dairen and participation by them in transportation privileges on the railways and would preclude practical denial of equality of economic opportunity,

<sup>73c</sup> Copy obtained from former President Harry S. Truman.<sup>73d</sup> *Ante*, p. 911.

as was the case during the period of Japanese control by various devices.

(4) We are pleased to note that Soong was reassured by Stalin's statements in regard to the sovereignty of China and Manchuria and also that Stalin agreed that Russia should not have the right to station troops in Manchuria.

(5) With regard to the statement that Stalin proposed that the ownership of the principal railroads in Manchuria should be Russian, our understanding of the Yalta Agreement was that it should be jointly operated by the Soviet Union and China and that there was no provision providing for exclusive Soviet ownership.

BYRNES

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761.93/7-645 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, July 6, 1945—5 p. m.

[Received July 6—2:47 p. m.]

2434. Front page announcement accompanied by photo of arrival July 4 of Marshal Choi-Balsan, Prime Minister [of] Mongolian People's Republic appeared in Moscow press July 5. Visitor was met at airport by Molotov, Assistant Commissar for Internal Affairs V. N. Merkulov (in charge of administration of state security, which includes border guards), Assistant Commissar for Foreign Affairs Lozovski, Vice Commissar for Foreign Trade U. M. Kaganovich, Colonel Gelri F. Kuznetsov (believed to be high in state security organization) and Disambu (Mongolian Minister here). I. A. Ivanov, Soviet Minister to Mongolian Republic, arrived at same time. No indication was given of purpose of visit. (To Dept 2434; rptd Chungking 52.)

Choi-Balsan has visited Moscow on several previous occasions but has never before been met by such high ranking Soviet personages. Composition of welcoming delegation was in rank equal to or higher than those greeting Stettinius,<sup>74</sup> Beneš, Poles and Soong.

Prominence on this occasion of Merkulov, who is not being included with top stratum at major reviews and functions, suggests that NKVD and its border guards play prominent role in control of Mongolian Republic.

Coincidence of this visit with that of Soong will not fail to be noted by foreign observers in Moscow.<sup>75</sup>

HARRIMAN

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<sup>74</sup> Edward R. Stettinius, Jr., who resigned as Secretary of State on June 27.

<sup>75</sup> Choi Balsan left Moscow on July 8.

761.93/7-745: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, [July 6, 1945?]

[Received July 7, 1945—12: 12 p. m.]

In a conference with Chiang Kai-shek today he requested me to transmit the following to the President:

In the President's message White House 285, June 9, 1945, item 1, "the *status quo* in outer Mongolia (the Mongolian People's Republic) shall be preserved." The Chinese Government claims that "*status quo*" means as stated in Article 5 of the Soviet-Chinese agreement of May 31, 1924, "the Government of the Union of Soviet Socialist Republics recognizes that Outer Mongolia is an integral part of the Republic of China and respects China's sovereignty therein." Soviet now demands China recognize the independence of the Mongolian People's Republic. Stalin has stated to Soong that if Chiang Kai-shek so desired Soviet would make the part of the treaty recognizing the independence of Mongolian People's Republic secret. Chiang stated that the Chinese Gov't would rather not have any secret agreement. If he made the concession he would desire to have it made public.

Last night Chiang held a long conference with his advisers after which he cabled to Soong instructions substance of which is as follows:

China will agree to recognize the independence of the Mongolian People's Republic after the war if

(1) The Soviet agrees fully to respect the sovereignty and territorial and administrative integrity of China over Manchuria. Consequently Soviet will be offered the joint use of Port Arthur but not joint control. (b) Dairen will be made a free port, but under Chinese administration. (That is, Soviet to take no part in the civil administration of either Dairen or Port Arthur.) (c) The two railroads will be jointly operated but remain under Chinese ownership and sovereignty.

(2) Soviet agrees not to give any support to the Chinese Communists or to rebellious elements in Sinkiang.

The period for the joint use of Port Arthur and for the joint operation of the two railroads as well as the duration of the proposed pact of alliance will not exceed the duration of the Franco-Soviet or the Anglo-Soviet pacts of alliance. (The Generalissimo understands these are either for 20 or 25 years, he is uncertain which. There is no time limit on the free port of Dairen.)

The Generalissimo said that these are the "maximum concessions" which China can make, Soong having been instructed to seek, in his discretion, terms more advantageous to China. The Generalissimo stated further that in agreeing to abandon Chinese claim to Outer



Mongolia, notwithstanding the full recognition thereof by Soviet under the terms of the treaty of 1924, he was impelled by his desire to see established permanently good relations with Soviet and consequently he frankly hopes that in view of the liberal Chinese attitude substantial support of the Chinese position may be forthcoming from our Government.

The Generalissimo was anxious that the concessions he is willing to make be made known to the President immediately. He suggested, however, that if his willingness to make these concessions become known to the Soviet officials it would weaken Soong's trading position. Consequently I have not repeated the above to Harriman. The Department may use its best judgment in that connection.

HURLEY

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761.93/7-745 : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

Moscow, July 7, 1945.

071545. I took the occasion of Soong's lunch with me informally today to inform him of the President's and your desire to be consulted before any arrangements were concluded based on the Yalta Agreement. He readily agreed.

Reference White House message No. 310 <sup>76</sup> Navy No. 061511. I also informed Molotov this afternoon. He asked whether you had in mind consultation at Berlin or before. I explained that if an understanding were reached in the next few days I assumed that you would wish to be informed at once. He said he would consult Stalin. Both Molotov and Soong told me there had been no meeting since Monday but that Soong would see Stalin tonight.

I have had two long talks with Soong since my message to you No. 051030.<sup>77</sup> His reply from Chiang was delayed because of the latter's absence from Chungking. Soong has informed me of his latest instructions. As he has a certain flexibility in the negotiations I shall await reporting the details until after the meeting tonight. His principal worry is Stalin's demand for formal recognition of the independence of Outer Mongolia. Soong is trying to find a formula that Chiang can accept without prejudice to the position of his Government in China and which will be satisfactory to Stalin. It seems clear from what Soong has told me that he has no intention of making any arrangement regarding Dairen which would be prejudicial to the

<sup>76</sup> July 6, p. 916.

<sup>77</sup> See telegram No. 051139, July 5, p. 915.

commerce of any friendly nation in Manchuria. He recognizes the justifiable special requirement of the Russians to have an efficient port and railroads with adequate facilities to handle imports and exports to and from Russia, also freedom from Chinese duties.

[HARRIMAN]

761.93/7-845 : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

Moscow, July 8, 1945.

081310. Soong gave me this morning a detailed account of his talk with Stalin last night. Soong proposed the acceptance by China of the Yalta formula on Outer Mongolia preserving the *status quo* both judicial and factual and in addition if desired, China would grant Outer Mongolia a higher degree of autonomy including the right to have independent armed forces; thus Outer Mongolia would be free to make any military arrangements desired with the Soviet Union. Stalin stated that this was not enough, that if there was to be a pact of friendship between the Soviet Union and China all questions would have to be settled in advance. Stalin argued that the Yalta formula meant the formal recognition by China of Outer Mongolia as an independent republic. He handed Soong a draft agreement to be signed by the Soviet Union and China giving formal recognition to the independence of the Outer Mongolian Republic. Soong stated that the Generalissimo could not agree to the cession of territory by Executive Act and repeated that if the Generalissimo attempted to do such a thing his Government would fall. Stalin refused to accept that position and an argument followed. Stalin also gave to Soong three other draft agreements:

1. A Treaty of Friendship and Alliance.
2. Arrangements over the Ports and
3. The operation of the railroads.

In the last two the Soviet demands appear to be stepped up. I will cover these in a separate cable.<sup>78</sup>

The conversation ended with the appearance of an impasse over Outer Mongolia. Soong attempted to hand the four drafts back to Molotov but the latter suggested that Soong had better keep them.

After the meeting Soong telegraphed the Generalissimo. Consequently early this morning he received a message from the Generalissimo which crossed his own telegram [and] outlining a new proposal regarding Outer Mongolia along the following lines. Providing Rus-

<sup>78</sup> *Infra.*

sia would fully recognize China's sovereignty in Manchuria and providing the Soviet Union agreed in definite terms to withdrawal all moral and material aid from the Communists in China and the rebellious groups in Sinkiang, the Generalissimo would agree to preserve the *status quo* in Outer Mongolia until after the war and then that a plebiscite be held in Outer Mongolia. If this indicated as he presumed it would popular desire for independence, the Generalissimo would proceed in a constitutional manner to recommend to the Chinese National Assembly the secession of Outer Mongolia and recognition of it as an Independent Republic. The Generalissimo also outlined his conception of how Chinese sovereignty should be preserved in connection with the arrangements regarding the ports and the railroads in Manchuria. I will report this in a separate cable pointing out the differences between the Russian and Chinese proposals.

Soong will attempt to see Stalin tomorrow Monday and if no agreement can be reached in regard to Outer Mongolia he plans to leave Moscow on Tuesday July 10. Unless agreement is reached he does not wish to be in Moscow on July 11 which is the independence day of Outer Mongolian Republic and presumably because of the presence of the Mongolian Premier will be celebrated here.

Soong asked me to request your comment and advice. I expressed the personal opinion that I did not believe you would wish to make any comment during the course of these bilateral discussions. Soong feels that in connection with Outer Mongolia Stalin is going beyond the Yalta formula and asking the Generalissimo to do the impossible. He feels that in his new proposals the Generalissimo is going as far as he can to meet Stalin's demands.

[HARRIMAN]

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761.93/7-945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

Moscow, July 9 [8?], 1945.

081750. The drafts of the three agreements handed Soong by Stalin referred to in my 081310<sup>78a</sup> are briefed as follows:

(1) The text of "Treaty of Friendship, Mutual Assistance [*and Alliance?*] and Post War Collaboration" appears to follow the general lines of similar agreements made by the Soviet Union in Europe although it does not refer to any common enemy by name. If [*sic*] in the preamble it does however speak of a strengthening of friendship as serving "the cause of common struggle against the enemies of

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<sup>78a</sup> *Supra*.

the United Nations". In article 1 the "high contracting parties—undertake to afford one another military and other assistance of all kinds in the struggle against aggression on the part of enemies of the United Nations directed against the Soviet Union or China in this war". This agreement is to remain in force for 20 years and to continue unless terminated by one year's advance notice. In a separate cable <sup>79</sup> I will send a translation in paraphrase of the proposed text of this agreement.

(2) Proposed text of agreement on Port Arthur, Dairen and territories adjacent briefed as follows: For the implementation of the Treaty of Friendship contracting parties agree: (1) Administration of the Ports and Cities of Port Arthur and Dairen with the adjacent land and sea areas for their joint use is to be established. Such administration in no way infringes the sovereign rights of China in these territories. (2) The boundaries of the zone described in an annex. (3) Port Arthur should be exclusively a military port, for use only of Soviet and Chinese vessels and closed to military and commercial vessels of all other countries. The military port and city of Port Arthur should be under Soviet administration. (4) Port of Dairen will be open on an equal basis for the commercial vessels of all nations. One of the inner bays of this port will be reserved exclusively for the requirements of the Soviet and Chinese navies. (5) To ensure the security of the entire zone as described above the Soviet Government is given the right to keep in the zone its military, naval and air forces and will erect at its own expense installations necessary for such forces and for the zone's defense. (6) Soviets undertake to establish and maintain lighthouses, etc., for navigation. (7) Administration of city of Dairen will be by a Board composed of five Soviets and five Chinese to be selected by mutual agreement between the Soviet and Chinese Governments. The Chairmanship of the Municipality is to be Soviet and the Deputy Chinese. The Chief Administration Officer of the Port should be Soviet. (8) Civilian administration in the zone outside of the two ports will be the responsibility of the Chinese. The principal appointments of this civilian administration are to be made by agreement between the Chinese Government and [the] Soviet Military Command. (9) The military command of the zone and responsibility for internal security are to be Soviet. The civilian administration must accept orders of the military command for the safeguarding of internal security. (10) The agreement will run for 40 years from date of signature.

(3) The proposed agreement concerning the Chinese Eastern and South Manchurian Railways in digest as follows: (1) Chinese Government agrees to restore Soviet Union's rights in the Chinese Eastern

<sup>79</sup> Not printed.

Railway and the South Manchurian Railway on the whole extension of the latter between Changchun, Dairen and Port Arthur. These railroads with all of their properties are transferred to the Soviet Government including rolling stock, all buildings and structures, engine houses, industrial enterprises, work shops, stocks, lands, coal mines and timber operations. (2) The Soviet Government grants to the Chinese Government the right of participation in the management and exploitation of these railroads through the formation of a joint Sino-Soviet Company. The two Governments are to be participants in this company without right of transfer in whole or in part to other parties. (3) Management of the joint company should be entrusted to seven directors, four appointed by the Soviet Government and three by the Chinese. The Chairman of Board should be Soviet and the Vice Chairman Chinese. The Board of Directors will select a Russian as Manager and a Chinese as Assistant Manager. Majority vote of the Board of Directors will decide all questions. The Board of Directors shall meet in Harbin. (4) Profits and losses are to be divided equally. (5) A separate agreement shall be entered into under which the Chinese Government will undertake to ensure the necessary fuel for the railroads. (6) Personnel and employees as well as guards of the railroads are to be Soviet and Chinese citizens. (7) The operation under the joint company shall be for a term of 40 years. At the end of this period the two railroads are to be transferred to ownership of Chinese Government without compensation. (8) This article provides for a commission to be set up within 30 days of representatives of Soviet and Chinese Governments who shall work out a detailed agreement within a period of two months subject to the approval of the two governments. Chinese attitude regarding the subjects covered by the above-mentioned proposed agreements is as follows: (1) Soong has made no adverse comment on the Treaty of Friendship. (2) The Generalissimo is prepared to agree to joint use of Port Arthur by the Soviet Navy as well as the Chinese but to retain Chinese administration. Soong told me that he personally is prepared to give the Soviets the right of military defense and believes the Generalissimo can be induced to agree. As to Dairen the Generalissimo proposes that it would be a free port under Chinese administration giving the Soviets a lease on docks for merchant shipping (no naval bases) and full rights to import and export freely to and from Russia. (3) The Generalissimo considers that title to the railroads should rest in the Chinese Government, the operations to be conducted by a joint Sino-Soviet Company with mixed management under the direction of a Board of Directors of equal number of Chinese and Soviet. The term of these operations should be 20 years. It is interesting to note that Stalin explained to Soong that he wished

40 years' agreement regarding the ports and railroads in order to give the Russians an opportunity to develop the Port of Petropavlovsk as an ice-free naval base and commercial port. At the end of that time the Soviet Government would renounce all interest in the railroads and ports in Manchuria. Stalin also described the proposed development of Sovietski [*Sovietskaya*] Gavan. Soong does not see why if Stalin is sincere 20 years is not long enough to develop Petropavlovsk.

[HARRIMAN]

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761.93/7-945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

Moscow, July 9 [8], 1945.

081800. As the time is so short before the Berlin meeting and as it seems doubtful that Soong will be successful in reaching agreement with Stalin I recommend that immediate steps be taken to prepare for use at Berlin a study of our interpretation of the Yalta Agreement specifically the terms which we believe China should grant the Soviet Government in regard to the ports and railroads and what action should be expected of China at this time in connection with preservation of *status quo* in Outer Mongolia.

In addition I suggest that preparations should be made for a detailed discussion of the character of the proposed four-power trusteeship for Korea.

[HARRIMAN]

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761.93/7-945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

[Moscow,] July 9, 1945.

091730. Soong asked me to call on him again this morning to discuss the situation confronting him in his negotiations with Stalin, whom he expects to see again tonight, and to ask my personal reactions. I told him that I had nothing further to add to what I had previously said in accordance with your message No. 308 July 4 regarding the provision in the Yalta Agreement on Outer Mongolia.

On the differences between the Generalissimo's proposals and Stalin's demands on the arrangements for the Ports, I expressed the personal view that although I would be pleased if Stalin accepted the Generalissimo's proposals I did not believe that he would do so. I considered the Generalissimo was being unrealistic in not conceding

more liberal rights and privileges to the Soviets, as it seemed to me that under his proposal it would be completely impossible for the Russians to establish a naval base at Port Arthur. I referred to the type of lease that the British had granted us in their possessions adjacent to the United States and stated that I believed that if the Generalissimo was sincere in his willingness to offer the Soviets a naval base at Port Arthur the Soviets must have full privileges for administration and defense of the Port and sufficient adjacent area to establish airfields and other defenses. In connection with the Port of Dairen I also expressed the view that the Generalissimo could afford to be somewhat more liberal in the rather restricted special privileges which I now find he proposes to grant the Soviets. I pointed out that 20 years was a short period for the arrangements and that his argument that the Treaty of Friendship only ran for this period was not entirely valid since the Treaty provides for an automatic renewal unless terminated by either party. I urged Soong not to come to an impasse with Stalin over the Generalissimo's proposals as to the ports and railroads and if the present differences could not be adjusted in the short time remaining of his visit that he should leave the discussions in as friendly a manner as possible and indicate that these matters would be given most serious consideration on his return to Chungking. It is my personal impression that he personally is ready to go considerably further than the Generalissimo's proposal in attempting to meet Stalin's demands. It should not be inferred however that he is ready to accept Stalin's proposals which he definitely considers go beyond the Yalta Agreement and would mean Soviet infringement on Chinese sovereignty in Manchuria because of the proposed Soviet complete control of Dairen, the railroads, and the industries connected therewith.

Soong specifically states that he would resist any attempt of the Soviets to restrict freedom of all nations in the use of the Port of Dairen as a free port and of the transportation facilities on the railroad and in the development of commerce within Manchuria. In this he showed that he was in agreement with your attitude given for my personal information in Navy cable No. 310, July 6.<sup>80</sup>

I again pointed out to him the great advantages to the National Government in coming to an agreement with the Soviet Government prior to the entry of Soviet troops into Manchuria and the serious consequences which otherwise might result. He agreed and I gained the impression that he was prepared to make realistic concessions to attain such an agreement providing the form of the agreement was of a character that could be accepted with "face" by the National Government and providing he was satisfied that the Soviet Government would

<sup>80</sup> *Ante*, p. 916.

in fact, and not only in generalities, support the National Government in unifying China.

Soong is concerned over the limited time left before Stalin must leave for Berlin. Because of the slowness of communications with the Generalissimo he is fearful that even if Stalin accepts the Generalissimo's proposal on Outer Mongolia there will not be time to come to a compromise agreement as to the ports and railroads. I urged him to attempt to get Stalin to agree that if an understanding could not be reached during his present visit, a communiqué be issued giving a favorable and friendly atmosphere to the progress made during his discussions in order to leave the way fully open for a resumption of the discussions at an early date in whatever manner seems best.

[HARRIMAN]

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761.93/7-1045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 10, 1945—2 p. m.

[Received July 10—10:35 a. m.]

1140. The Acting Foreign Minister has given me the following personal message from the Generalissimo for delivery to the President. It is addressed to President Harry S. Truman and signed Chiang Kai-shek:

"I wish to thank you for your telegram of June the 15th,<sup>81</sup> containing an outline of a proposed agreement between the National Government of China and the Soviet Government. I am especially grateful to you for the keen interest you have taken in this connection. In accordance with arrangements I have already sent to [*sic*] Dr. T. V. Soong to Moscow to negotiate with the Soviet Government, and I shall keep you constantly informed of the progress of these negotiations through Ambassador Hurley. As this is a matter of grave concern not only between China and Russia but also to the interests of peace and security of the world at large, I earnestly request you to continue to bestow your great attention on it and enlighten me with your views from time to time."

HURLEY

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761.93/7-1145 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

Moscow, July 11 [10], 1945.

102330. Soong showed me this morning the detailed notes of his talk with Stalin and Molotov last night. Substantial progress was

<sup>81</sup> See White House telegram No. 285, June 9, to the Ambassador in China, p. 897.



made. There seems to be agreement over Outer Mongolia. After the war Chiang agrees that China will recognize the independence of Outer Mongolia, providing a plebiscite is held which favors independence. This agreement is not to be announced until after the war. This, the above, is subject to full agreement on all other questions including Soviet Union support of the National Government in unifying China.

A Treaty of Friendship and Alliance in the form proposed by Stalin is satisfactory to Soong. There is a difference as to the boundaries between Outer Mongolia and Sinkiang. This is to be left for a boundary commission to determine. Although Stalin would not admit Soviet assistance to the insurgents in Sinkiang he agreed that it would be the Soviet Government's obligation not to support these rebel forces.

Soong agreed to Stalin's suggestion that the Chinese should give greater political recognition to the racial groups in Sinkiang. Stalin would not admit giving moral and material support to the Communists but categorically stated he would support only the National Government in China and that all military forces of China must come under the control of the Government. Soong outlined the conditions the National Government was ready to grant the Communists and Stalin made no adverse comment.

Soong is inclined to believe that if an agreement with the Soviet Union is reached this will open the way for an understanding between the National Government and the Communist Party.

Soong put forward Chiang's counter proposals regarding the ports and railroads in Manchuria. In the discussion Stalin made only a few concessions from his previous demands. The term of the agreements was reduced from 40 to 30 years. The railroads involved should be only main lines and not subsidiary lines. Title of the railroads might be joint Soviet and Chinese. The industries referred to in the Soviet proposal should be only those directly connected with the operation of the railroads. Soong insisted that the railway guards should be Chinese maintaining that guards were soldiers and therefore if Soviet this would, in fact, be the stationing of Soviet troops in Manchuria. Stalin insisted that the protection of the railroads was essential and that he could not be satisfied with Chinese guards. He finally said "we might see after 2 years".

One of the principal differences in connection with the Ports is whether Dairen will be included in the military zone. Soong wants the military zone to be limited to Port Arthur, whereas the Russians are claiming the entire Kwantung Peninsula. Under such circumstances the Port of Dairen would be dominated by Russians and would not be a genuine free port. The open questions were left for discus-

sion between Soong and Molotov. This conference is taking place this afternoon.

[HARRIMAN]

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761.93/7-1145: Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

[Moscow,] July 11 [10], 1945.

102350. I saw Soong again after his meeting with Molotov referred to in my preceding cable number 102320 [102330]. Molotov agreed to conclude a civil affairs agreement along the lines of the Soviet-Czech Agreement<sup>82</sup> with the National Government regarding Manchuria and the other Chinese territory occupied by Soviet troops, except he declined to commit himself to withdrawal of Soviet troops within three months after the termination of hostilities until he had an opportunity to consult Stalin.<sup>83</sup>

No other progress was made on any of the points of difference regarding the ports and railroads. Molotov still insists on complete Soviet domination. Soong is awaiting further instructions from Chiang. He will then seek an interview with Stalin and present the final position of the National Government.

[HARRIMAN]

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Moscow Embassy Files—710 Sino-Soviet Relations

*Memorandum by the Second Secretary of Embassy in the Soviet Union (Davies)*

[Moscow,] July 10, 1945.

#### ESTIMATE OF SOVIET POLICY IN EAST ASIA

I. The Soviet Union may be expected to pursue in East Asia a unilateral policy designed to revise the situation in the Far East in its favor, for the following reasons:

##### A. Security against:

1. China which can, if it develops along certain lines, emerge after one or two generations as the greatest single threat to the Soviet Union on the Eurasian continent;

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<sup>82</sup> Signed at London, May 8, 1944.

<sup>83</sup> For assurances given Dr. Soong by Marshal Stalin in this matter, see Minutes of the meeting of July 11, 1945, Department of State *Bulletin*, February 10, 1946, p. 201.

2. Korea as a natural corridor for an attack on the Soviet Far East;

3. The Kuriles, Karafuto, Hokkaido and Honshu which are so situated as to constitute in varying degrees a potential menace to the Soviet Far East. The example of the British Isles serving as a springboard for a transoceanic invasion of the adjacent continental land mass is presumably not lost on the Kremlin.

#### B. Naval and merchant marine expansion.

1. The need for new ports and bases to accommodate an expanded Soviet merchant marine and navy is another reason for a revisionist Soviet policy in East Asia.

2. Control over certain straits in the Japanese chain of islands stretching from Shumushu to Formosa is essential to the USSR if it is to have free access to the open Pacific. Such control can be assured only through Soviet command over the islands dominating those straits.

#### C. The political attraction of:

1. The internal struggle for power in China which seems likely to develop during the final stages of the Pacific War into open conflict between Chungking and Yenan. Whether the unilateral policy toward China, resulting in part from this political attraction, will be aggressive or apparently passive depends on tactical considerations (discussed below).

2. The political vacuum in Korea which will exist following the destruction of Japanese authority there.

3. Chaos in Japan during the concluding phases of and after the war.

### II. Minimum Soviet Objectives in East Asia:

A. Security cordon (areas which the Soviet Union will seek to dominate or win the voluntary allegiance of):

North China, including Sinkiang and Inner Mongolia. (Outer Mongolia is here considered to be a part of the Soviet System).  
 Manchuria.  
 Korea.  
 Karafuto (southern Sakhalin).  
 Kurile Islands.

#### B. With regard to Japanese main islands:

1. A voice in the peace dictate to be delivered Japan.
2. An opportunity to exploit politically the postwar situation in Japan.

III. Possible Choices of Soviet Strategy. In seeking to attain its objectives in East Asia, the Kremlin has open to it three choices of strategy:

A. Military conquest.

While this strategy would yield the Soviet Union control over that part of continental Asia which the USSR now desires, an open display of Soviet power and expansionist ambitions would presumably arouse the United States, which the Kremlin prefers not to do. One of the by-products of an aroused United States might well be an Anglo-American denial to the Soviet Union of any real voice in the decision regarding the Japanese islands or access to them.

B. Political action.

If the Soviet Union remains militarily aloof from the war against Japan and relies solely on political action, it is not likely to achieve fully its minimum objectives on the continent. More than Soviet intrigue and support of native guerrilla operations is needed to secure Soviet control over Korea, Manchuria and possibly North China.

C. Politico-Military action.

This is the most flexible of the three strategic choices and is the one most likely to achieve the Kremlin's objectives.

IV. Tactics of Politico-Military Action. The Kremlin is in the favorable position of having an exceptionally wide choice of tactics at its disposal, of being able for the most part to select its own timing, to act with slight concern for domestic public opinion and to retain the element of surprise in its foreign relations.

It is impossible to predict at this stage precisely what tactical pattern the Kremlin will employ. It is unlikely that Stalin and his lieutenants have plotted in detail hard and fast tactical plans. Soviet tactics may be expected to be applied opportunistically and pragmatically. Those likely to be employed are:

A. Axis tactics of provocation, intimation, bluff and sudden military attack.

B. A "correct" attitude toward China (including Manchuria) and Korea so as to avoid:

1. Appearing imperialistic to Asiatic peoples;
2. Openly provoking charges of Soviet interference in China's internal affairs;
3. Revealing its intentions toward Korea;
4. Incurring at this juncture intensified American suspicion and hostility.

C. Utilization of Outer Mongolia's "independent" Status.

We should not be surprised if the Mongolian People's Republic plays a disproportionately active role in military and political activities in East Asia, carrying the ball for the Kremlin whenever the latter does not wish to assume responsibility.

D. Utilization of Asiatic national groups in the USSR.

1. Korean. If, as has been reported, the Soviet Union has trained and equipped Korean troops, these forces can be usefully employed to serve political as well as military ends in Korea.

2. Central Asian. Soviet Kazakhs, Kirghiz and other Soviet Central Asiatic peoples can obviously be used in furthering Soviet designs on Sinkiang.

E. Heavy reliance on Communist China to:

1. Serve the Kremlin's immediate aims in China. It is debatable whether Moscow could have counted on Yen-an's unquestioning obedience had the American Government last autumn and winter (while the Soviet Union was still unprepared to act in Asia) accepted the fact of a divided China and realistically and vigorously sought to develop the nationalistic tendencies of Communist China. However that may be, it is clear that Communist China can now operate only in the Soviet orbit.

This situation is entirely satisfactory to the Kremlin because it can conduct fundamentally meaningless flirtations with Chungking while being fully confident that:

*a.* Yen-an will resist spontaneously—and probably effectively—Chiang's attempts to establish Kuomintang authority over Northeast China.

*b.* Communist China will become a part of the USSR's security cordon, because if for no other reason, it will scarcely be accepted by any other foreign alignment.

2. Provide native leadership in East Asia.

*a.* Manchuria. Leaders for Manchurian administration may possibly be drawn from the Yen-an regime.

*b.* Korea. A Korean Communist organization was founded last year in Communist China. Personnel from this group will probably be introduced into Korea for political and administrative purposes, along with the Koreans from the USSR.

*c.* Japan. It was presumably not wanderlust which prompted Susumu Okano, the representative of the Japanese Communist Party on the Comintern Presidium, to proceed to Yen-an following the dissolution of the Communist International. He has established in Communist China among Japanese prisoners of war a Japanese People's Emancipation League, the members of which are potential leaders of political activity in postwar Japan. Soviet efforts to gain influence in Japanese affairs will thus be channeled through Yen-an, as in the west

the French Communists, rather than Moscow, now accept public responsibility for promulgation of international Communist policies.

F. Pan-Asianism is a tactic which Japan found effective and to which the Kremlin may resort, if Stalin and his advisers believe they can keep it in hand. If used, it will probably be voiced by Outer Mongolia or Communist China, and not the USSR.

G. Anaesthetization of the United States.

For obvious reasons the Kremlin will be careful in performing its political surgery in Asia to cause during the next two or three years as little shock and pain as possible to the United States. Therefore the present "correct" attitude and other tactics designed to diffuse the one basic issue of aggressive Soviet expansion. Therefore also, the Kremlin may be expected to operate more gradually in Korea, Manchuria and North China than it would otherwise need to. Finally, therefore, some of the more high-handed Soviet actions will be timed, if possible, to coincide with waves of American public gratitude to or appreciation of the Soviet Union.

This anaesthetization will be effective in pretty much direct proportion to the degree of ignorance in which the American people are kept with regard to the issues involved.

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761.93/7-1245 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*<sup>84</sup>

[Moscow,] 12 July 1945—12:15 a.m.

120015. Soong had another talk with Stalin tonight.<sup>84a</sup> He tells me that he has come to an understanding on all matters along the general lines previously reported except for some points as to the railroads and the ports. After long argument Stalin agreed that the guards should be Chinese and that there should be no rights to move Soviet troops in Manchuria. The forces going to Port Arthur would be moved by sea.

The final point *not* agreed to regarding the railroads is control of the management. Stalin still insists on a majority of the directors which Soong has resisted. Soong has offered joint operation with equal participation in the board and the management. As to the ports Stalin still insists that the military zone under Russian control should include Dairen as well as Port Arthur and that there should be a naval base within Dairen. Soong offers Port Arthur and the area south of Dairen as a military zone. Dairen however should be a free port under Chinese management with certain docks and storage yards

<sup>84</sup> Copy obtained from former President Harry S. Truman.

<sup>84a</sup> July 11.

leased on a commercial basis to the Soviets for their through shipments.

Soong suggested to Stalin that he return to Chungking to consult the Generalissimo over the points still at issue. Stalin however said that it was better to come to agreement before he met you at Berlin as he wished to decide with you date of his entry into the war. Another meeting has been arranged therefore for the night of the 12th. Soong intends to outline in detail the maximum concessions he is authorized to make along the above lines. If no agreement is reached he will return to Chungking to consult the Generalissimo and will give me to report to you the position of the negotiations—the matters on which agreement has been reached and the points remaining at issue.

Soong asks me to tell you that he feels that in order to meet Stalin's demands he has gone beyond the Yalta Agreement in agreeing to recognize the independence of Outer Mongolia after the war and has fully met any reasonable interpretation of the Yalta Agreement in his proposals regarding the railroads and ports. On the other hand Stalin has offered him satisfactory conditions for the treaty of friendship and the civil affairs agreement during the military period in Manchuria, also assurances that he would withhold support from the insurgents in Sinkiang and the Chinese Communist Party.

[HARRIMAN]

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761.93/7-1345: Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

[Moscow,] July 13, 1945.

131353. Soong saw Stalin and Molotov again last night (Thursday)<sup>85</sup> and outlined the maximum concessions he was authorized to make along the lines of my last message (numbers 120015<sup>85a</sup> and 120755,<sup>86</sup> July 11-12).

As to the management of the railroads he proposed equal number of directors with Chinese to be Chairman without administrative authority as a courtesy to China; the manager of the Chinese Eastern to be Russian and the assistant manager Chinese; the manager of the South Manchurian to be Chinese with a Russian as assistant manager. He proposed that the port of Dairen should be a free port under Chinese management, but offered the Soviets docks and storage areas under commercial lease for their through traffic. He explained that for obvious reasons he could not agree to the port of Dairen or

<sup>85</sup> July 12.

<sup>85a</sup> *Supra.*

<sup>86</sup> Not printed.

the connecting railroad to be in a Soviet military zone or to be used as a Soviet naval base. Soong offered Port Arthur as a naval base for joint use but under Soviet control. There does not appear to be any differences regarding Port Arthur but Stalin told Soong that his proposals regarding the port of Dairen and the railroads were unsatisfactory. Stalin did not offer any further concessions in his demands for the control of the railroads and for the inclusion of Dairen in the military zone substantially under Soviet control. Soong then said that he felt he should return to Chungking to consult with Chiang, but would be prepared to come to Moscow again at any time Stalin wished. The meeting parted, according to Soong, in a friendly atmosphere and he expressed satisfaction with the frankness of discussion and confidence that he had gained of the friendly attitude of the Soviet Government toward the Chinese Government.

Soong told me that he did not press Stalin further on any points as he was anxious to leave the subjects open in order to obtain your views. He is hopeful that you will be able to get Stalin to accept the Chinese position at the forthcoming conference or that you will be able to work out a compromise which the Generalissimo can accept. He did not, however, say this to Stalin, although from a political standpoint he feels that China has made a serious concession in agreeing to recognize the independence of Outer Mongolia. He feels that the discussions here have made important progress in the establishment of friendly relations between his Government and the Kremlin and is satisfied with the understandings reached on questions other than those still at issue.

He is leaving for Chungking tomorrow (Saturday) morning in the plane which you placed at his disposal and hopes that it may remain there to bring him back to Moscow as soon as possible. He asked me to present this request to you.

I am leaving for Berlin with General Deane<sup>87</sup> and Admiral Maples<sup>88</sup> this afternoon.

[HARRIMAN]

761.93/7-1345

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*Memorandum by the Under Secretary of State (Grew) to the Secretary of State*

[WASHINGTON,] July 13, 1945.

The attached memorandum entitled "U. S. Interpretation of the Yalta Agreement and Terms Which China Might Appropriately Ac-

<sup>87</sup> Maj. Gen. John R. Deane, Chief of U. S. Military Mission in the Soviet Union.

<sup>88</sup> Rear Adm. Houston L. Maples, naval member of U.S. Military Mission in the Soviet Union.



cept in Regard to Outer Mongolia and Manchuria", has been prepared in pursuance to the suggestion contained in Ambassador Harriman's 081800 and your request sent through Admiral Leahy (MR-IN-19).<sup>89</sup>

There is in the Department no copy of the Yalta Agreement or of any records of conversations relating thereto. The attached memorandum has therefore been prepared on the basis of our recollection of its contents.

You may wish to give special attention to the portions of the memorandum which have been marked in red.<sup>90</sup>

JOSEPH C. GREW

[Annex]

U. S. INTERPRETATION OF THE YALTA AGREEMENT AND TERMS WHICH CHINA MIGHT APPROPRIATELY ACCEPT IN REGARD TO OUTER MONGOLIA AND MANCHURIA

*Outer Mongolia.* With regard to the interpretation of this Government of the term "status quo" as applied to Outer Mongolia the following facts are pertinent.

The Chinese Government claims all of Mongolia, including the area occupied by the Mongolian People's Republic, as part of the Republic of China. The present Chinese Provisional Constitution for the Period of Political Tutelage (1931) states that the territory of the Republic consists of the several provinces and Mongolia and Tibet. Although China lost control over Outer Mongolia in 1911, the Chinese Government has never ceased to claim it as an integral part of the Republic, and in the treaties which it concluded with imperial Russia respecting Outer Mongolia and with Outer Mongolia itself China gained from both of them recognition of this claim. (See the note attached to the Sino-Russian Declaration, November 5, 1913; <sup>91</sup> Article II of the Tri-Partite Treaty of Kiakhta, June 7, 1915,<sup>92</sup> and Article V of the Sino-Soviet Agreement on General Principles of May 31, 1924.<sup>93</sup>)

China, having gained recognition of its claim to sovereignty from the U.S.S.R., contends that it is the sole government legally competent to regulate the affairs of Outer Mongolia, and it has protested against

<sup>89</sup> Not printed; the Secretary of State requested Mr. Grew to prepare the studies recommended by Ambassador Harriman in his telegrams 081750 and 081800 of July 8.

<sup>90</sup> File copy does not indicate portions marked in red.

<sup>91</sup> John V. A. MacMurray (ed.), *Treaties and Agreements With and Concerning China, 1894-1919*, vol. II, p. 1066.

<sup>92</sup> *Ibid.*, p. 1239.

<sup>93</sup> *Foreign Relations, 1924*, vol. I, p. 495.

any agreements made by the U.S.S.R., with or concerning Outer Mongolia. Thus when the Soviet-Mongolian Mutual Assistance Pact of March 12, 1936<sup>94</sup> was signed, the Chinese Government protested to the Soviet Union that Outer Mongolia was an integral part of the Republic, and that no foreign state might conclude treaties or agreements with it. The Soviet Foreign Office in reply reaffirmed the Soviet Union's recognition of Chinese sovereignty.<sup>95</sup>

China also protested against the Declaration attached to the Soviet-Japanese Neutrality Pact of April 13, 1941<sup>96</sup> which stated in part:

"... the U.S.S.R. pledges to respect the territorial integrity and inviolability of Manchukuo, and Japan pledges to respect the territorial integrity and inviolability of the Mongolian People's Republic."

The following day the Chinese Foreign Minister issued a statement in which he declared:

"The four Northeastern Provinces and Outer Mongolia are an integral part of the Republic and will always remain Chinese territory. The Chinese Government and people cannot recognize any engagements entered into between third parties which are derogatory to China's territorial and administrative integrity."\*

The substance of this statement was communicated to the Soviet Foreign Office in the form of a protest to which the latter answered that the Soviet-Japanese Pact was solely to insure the security of the Soviet Union and had no bearing on Soviet relations with China.

The U. S. S. R. has not claimed the territory of the Mongolian People's Republic, and it has repeatedly informed the Chinese that it respects Chinese sovereignty therein. In statements by Soviet officials the view is held that the Government of the Mongolian People's Republic is autonomous, and able to enter into independent treaty relations. *Izvestia*, the semi-official Soviet newspaper, in its issue of March 6, 1925 quoted Chicherin, Soviet Commissar for Foreign Affairs, as declaring: "(the U. S. S. R.) recognizes Mongolia as part of the whole Republic of China, enjoying, however, autonomy so far-reaching as to preclude Chinese interference with its internal affairs and to permit the establishment of independent relations by Mongolia". (Quoted by Louis Nemzer, "The Status of Outer Mongolia in International Law", *American Journal of International Law*, Vol. 33, 1939, p. 461.) Statements by other Soviet officials so far as they are available all emphasize the autonomy of the region.

<sup>94</sup> *British and Foreign State Papers*, vol. cxL, p. 666.

<sup>95</sup> For documentation on this subject, see *Foreign Relations*, 1936, vol. iv, pp. 104-110, *passim*.

<sup>96</sup> See telegram No. 763, April 13, 1941, 11 p. m., from the Ambassador in the Soviet Union, *Foreign Relations*, 1941, vol. iv, p. 944.

\*Telegram No. 135, from Embassy, Chungking, April 15, 1941—761.9411/87. [Footnote in the original; telegram No. 135 not printed.]

The representative of the Mongolian People's Republic in Moscow does not bear one of the usual diplomatic titles but is called a "Delegate Plenipotentiary and Commercial Representative", indicating that the Mongolian People's Republic is not regarded as a fully independent state. When Vice President Wallace visited Ulan Bator in the summer of 1944 no Mongol visa or other Mongol, Chinese or Soviet document was necessary, although the visit was made with the advance knowledge of the U. S. S. R. and China. Notwithstanding the special consideration doubtless shown to the Vice President of the United States, this is nevertheless an indication of the anomalous status of the Mongolian People's Republic vis-à-vis the Soviet Union and China.

In connection with the conclusion of the Soviet-Mongolian Mutual Assistance Pact, the British Prime Minister was asked in Parliament whether Outer Mongolia (Mongolian People's Republic) was an independent state or a part of China. He declared that:

"His Majesty's Government continue to regard Outer Mongolia as under Chinese sovereignty; and since the conclusion of the Protocol of the 12th of March, the Soviet Government have declared that in their view the Sino-Soviet Treaty of May 1924 in which Outer Mongolia was recognized as an integral part of the Chinese Republic, is not infringed by the Protocol and retains its force." (*Parliamentary Debates*—House of Commons Official Report, Vol. 312, p. 5, [6,] May 11, 1936.)

No statement has been issued by the United States Government in regard to Mongolia, or the Mongolian People's Republic. By the terms of the Nine-Power Treaty of 1922 to which it is a signatory, the United States has agreed to respect the territorial and administrative integrity of China (Article I) and it has been at pains to refrain from any indication that it considered the outlying dependencies of China such as Mongolia in a different status from the remainder of China.

It would thus appear that while *de jure* China has sovereignty over Outer Mongolia, *de facto* sovereignty has not been exercised since 1911.

If the future status of Outer Mongolia is decided on the basis of the principle of sub[*self*]-determination of peoples, then there is little doubt that that territory would separate itself from China, and as an independent nation or otherwise, enter the Soviet orbit. Mongolians have been traditionally antipathetic to the Chinese and, so far as can be judged, have been willing adherents to Soviet ideologies and influence. In the light of realities of the situation it is believed that the Chinese Government would be well advised to give formal recognition to a situation which has long existed in fact and at the same time endeavor to capitalize upon the good-will of the Soviet thereby gained

to obtain firm commitments from the Soviet Government which will confirm and strengthen the Chinese position in Inner Mongolia and Manchuria.

Such a disposition would not materially affect any substantial American interest.

*Manchuria.* The Yalta Agreement contains a general provision for the reversion to the Soviet Union of rights in Manchuria formerly possessed by Czarist Russia prior to the Russo-Japanese War. Under sub-headings to this main provision there are certain specific provisions dealing *inter alia* with the "internationalization" of Dairen and joint Sino-Soviet operation of Manchurian railroads. It is not clear to what extent the specific provisions are to be construed as explanatory to the main provision and to what extent they represent modifications of or limitations on the main provision.

The principal rights enjoyed by Russia in Manchuria prior to the Russo-Japanese War may be summarized as follows:

Leases of Port Arthur and Talienwan (Dairen) (Russo-Chinese Convention of March 27, 1898.<sup>98</sup>) Lease for 25 years (expiring in 1923), subject to renewal by mutual consent, to the Russian Government of Port Arthur and Dairen. The lease "in no way to violate the sovereign rights of the Chinese Emperor to the leased territory". Russia to have complete and exclusive enjoyment of the whole area, including the entire military command and supreme civil administration with no Chinese land forces permitted in the leased area. Port Arthur to be used solely by Chinese and Russian vessels. Dairen, with the exception of one of the river bays set apart for the use of Russian and Chinese fleets, to be open to foreign commerce with free entry granted to the merchant vessels of all countries. The Russian Government at its own expense to erect fortification, buildings and light-houses, to maintain garrisons and take steps for defense.

Railways. The Chinese Eastern Railway, constructed in 1897-1901, by the Chinese Eastern Railway Company, was nominally a Russo-Chinese institution but actually almost exclusively, if not entirely Russian, which Company was granted by the Chinese Government exclusive rights of operation. It was provided that 80 years from the date of completion the line would pass free of charge to the Chinese Government, and further that after 36 years from the date of completion the Chinese Government would have the right to buy it back.

The Chinese Eastern Railway extended from Manchuli Station in the west across Manchuria to Pogranichnaya on the Ussuri Railway, with a southern branch extending from Harbin to Dairen (Dalny) and Port Arthur. That portion of the southern branch from Changchun

<sup>98</sup> John V. A. MacMurray (ed.), *Treaties and Agreements With and Concerning China, 1894-1919*, vol. I, p. 119.

(Hsinking) southward was transferred to Japan by the Russo-Japanese Treaty of Peace of 1905. The remainder of the Chinese Eastern Railway was transferred to "Manchukuo" in 1936.

The Russians assumed civil administration of the railway zone until 1920. Under the agreement of September 8, 1896, between the Chinese Government and the Russo-Chinese Bank,<sup>99</sup> lands necessary to the construction, operation and protection of the railway were ceded to the Chinese Eastern Railway Company, and according to the Russian (French) text, the company was given *le droit absolu et exclusif de l'administration* (the absolute and exclusive right of administration or management). The Chinese text of the treaty, however, does not contain this stipulation. On the basis of the French text, interpreting administration to mean administration in the full English sense rather than mere management, the Russians organized within the railway zone, (an irregular strip of land extending for some distance on either side of the railway and embracing Harbin and other cities which developed along the railway), their own civil administration, including courts of justice, police, schools, etc. The Government of the United States has considered that this procedure was an encroachment upon Chinese sovereignty and impaired the extraterritorial rights of American citizens.

The statutes of the Chinese Eastern Railway Company provide for a board of management (or board of directors), to consist of nine members elected by the shareholders. The chairman of the board was appointed by the Chinese Government. The vice chairman was chosen by the members of the board from among themselves. Shareholding was limited to Russian and Chinese subjects. It is understood that nearly all of the shares were purchased by the Russian Government. The Chinese were, at the most, allowed an amount of stock sufficient only to afford a right to participate in the election of the directorate. Prior to 1917 the board of directors sat in St. Petersburg. The actual operation of the railway was confided [*confined?*] to a manager, who was assisted, and to an extent controlled with respect to important matters, by a council of administration consisting of the manager and his principal assistants. The manager was also civil governor of the railway zone and as such possessed the most extended powers.

The provisions of the proposed agreements in regard to the ports of Dairen and Port Arthur and in regard to railways, as described in Moscow's 081750Z,<sup>1</sup> are clearly more advantageous to China than

<sup>99</sup> John V. A. MacMurray (ed.), *Treaties and Agreements With and Concerning China, 1894-1919*, vol. 1, p. 74.

<sup>1</sup> Dated July 9 [8?], p. 921.

would be terms calling for the complete restoration of the rights possessed by Russia in Manchuria prior to the Russo-Japanese war.

On the other hand, the provisions of the proposed agreements are less advantageous to China than would be terms based upon a normal construction, taken by themselves, of the somewhat ambiguous and vaguely worded terms of the specific sub-headings of the main provision calling for the recovery by the Soviet Union of its former rights in Manchuria. For example, the term "internationalization" of Dairen could not of itself warrant the interpretation placed upon it by the Soviet Government in the draft agreement, calling for Soviet predominance in administration, nor would the provisions in regard to the joint Sino-Soviet operation of the railways call for an implementation whereby Russia would have sole ownership and superiority of authority over the Chinese in the management of the railway.

There is an undoubted inconsistency between the Soviet commitment to respect Chinese sovereignty and proposals under which for even a limited period of years Russia would exercise virtual control over the main railways of Manchuria and enjoy predominant administrative rights in Dairen and exclusive administrative rights in Port Arthur. For reasons set forth below, it is believed that there are less disadvantages to be seen in the proposal in regard to Port Arthur than in the rest of the draft agreements which, if carried out in full, would represent a reversion to a situation which was one of the most pernicious foci of imperialism and which we had hoped might be eliminated once and for all, and is therefore disappointing from the point of view of American interests, policy and ideals. Accordingly, if it should be possible for this Government, either singly or in conjunction with Great Britain, to influence the Soviet Government toward a modification in favor of China (and of other countries) of the terms relating to Dairen and the railways, it is believed that we should make the effort. There would seem warrant for such an approach to the Soviet Government on the ground that it was not our understanding of the Yalta Agreement that "internationalization" of Dairen meant transfer of predominant administrative rights to the Soviet Union or that joint operation of the railways called for transfer of exclusive ownership to the Soviet Union and for vesting Russia with a predominant position in management. If through such an approach the Soviet Union could be influenced to make substantial modification in these proposals it would be very welcome from our point of view. At the same time the fact cannot be lost sight of that the National Government of China stands to gain much by Russian participation in the war against Japan and by Russian agreement not to support the Chinese Communists. For these benefits China must be prepared to make reasonable concessions and we should

not support Chinese objections to such otherwise reasonable concessions as are not inimical to American interests or in contradiction of American policy.

The United States has, of course, an important practical interest in trade and commerce in Manchuria which should be safeguarded. In respect to any arrangements which may be made between the Soviet and Chinese Governments regarding Manchuria we should obtain explicit commitments from both governments that the principle of non-discrimination in international intercourse will be respected in all areas and operations which may be the subject of agreement. We should expect that application of this principle would cover the right of equality of access by the United States to the port facilities of Dairen, the privilege of leasing and purchasing land there for business and residential purposes (a right which was generally denied in practice during the Japanese regime) and the right of free and full use of traffic facilities of the railways.

With regard to the proposed arrangement for Port Arthur, it is believed that the Chinese could afford and would be well advised to grant to the Russians privileges at least no less liberal than those granted to us by Great Britain in connection with the lease of certain naval and air bases in British territory in the Western Hemisphere. For example, in the master agreement comprised in an exchange of notes between the British Embassy and the Department of September 2, 1940,<sup>2</sup> it is provided that:

“His Majesty’s Government, in the leases to be agreed upon, will grant to the United States for the period of the leases all the rights, power, and authority within the bases leased, and within the limits of the territorial waters and air spaces adjacent to or in the vicinity of such bases, necessary to provide access to and defense of such bases, and appropriate provisions for their control.”

In the Anglo-American Agreement of March 27, 1941<sup>3</sup> for the lease of air bases in Newfoundland, Bermuda, Jamaica, St. Lucia, Antigua, Trinidad and British Guiana Article IV specifically grants jurisdiction to United States courts over members of the United States forces, United States nationals, persons not British subjects, and British subjects charged with having committed, either within or without the leased areas, offenses of a military nature punishable under American law including but not restricted to treason, offenses relating to sabotage or espionage, and any other offenses relating to the security and protection of United States bases, establishments, equipment or other

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<sup>2</sup> Department of State Executive Agreement Series No. 181, or 54 Stat. (pt. 2) 2405.

<sup>3</sup> Department of State Executive Agreement Series No. 235, or 55 Stat. (pt. 2) 1560.

property or to operations of the Government of the United States in the territory. While the proposed arrangement for Port Arthur envisages that the port will be under "Soviet administration", there would not, in the light of all the circumstances, seem to be ground for putting forth objection on our part if the Chinese grant the Soviet Government exclusive jurisdiction within the port area of Port Arthur, whereas the proposals relating to Dairen and the railways as they now stand are open to legitimate objection on the part of the United States and other of the United Nations.

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761.93/7-1545 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, July 15, 1945.

[Received July 16—2:58 p. m.]

2574. Moscow press July 14 publishes Soviet-Chinese communiqué on Soong's stay in Moscow, reading in translation as follows:

In the course of recent days in Moscow conversations took place between Chairman of Council of Peoples Commissars of USSR J. V. Stalin and Peoples Commissar for Foreign Affairs of USSR V. M. Molotov on one hand and President of Executive Yuan and Minister for Foreign Affairs of Chinese Republic Mr. Sung Tze-wen<sup>4</sup> on other hand. On Soviet side Vice Commissar for Foreign Affairs of USSR S. A. Lozovski and Ambassador of USSR in China A. A. Petrov participated in conversations. On Chinese side Vice Minister of Foreign Affairs Mr. Hu Shih-tseh, Ambassador of Chinese Republic in USSR Mr. Foo Ping-sheung and Mr. Chiang Ching-kuo.

Conversations had as their aim improvement of Soviet-Chinese relations in connection with which very important questions of interests to both sides were touched upon. Talks took place in friendly atmosphere and revealed presence of broad mutual understanding.

Conversations were cut off in connection with departure of J. V. Stalin and V. M. Molotov for conference of heads of three powers. Mr. Sung Tze-wen has left to spend some time in Chungking. Conversations will be continued in very near future. (*End translation*)

Today's press also announces that on July 13 Stalin gave dinner in Kremlin in honor of Soong and his party. Soviets present at this dinner were Molotov, Kaganovich, Mikoyan, Beria, Malenkov, Vosnesenski, Bulganin, Kosygin, Merkulov, Dekanozov, Lozovski, A. A. Petrov and responsible officials of Narkomindel.<sup>5</sup> Dinner took place "in warm friendly atmosphere".

Sent Department as 2574, repeated Chungking as 60.

KENNAN

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<sup>4</sup> T. V. Soong.

<sup>5</sup> Soviet Commissariat for Foreign Affairs.



740.0011 P.W./7-1645

*Memorandum by the Secretary of War (Stimson) to President Truman*<sup>6</sup>

[POTSDAM,] July 16, 1945.

[The first two sections of the memorandum deal with the conduct of the war with Japan and a warning to Japan; see *Foreign Relations, The Conference of Berlin (The Potsdam Conference), 1945*, vol. II, pp. 1265-1267.]

## THE YALTA AGREEMENTS

As for the Russian participation and the so-called Yalta Agreements, I believe that these agreements, so long as they are interpreted consistently with our traditional policy toward China, should not cause us any concern from a security point of view, assuming always we keep clear our control over the Pacific islands. By our traditional policy toward China I refer, of course, to the Open Door and the recognition of Chinese sovereignty over Manchuria.

## MANCHURIA

We can afford to permit Russia to have access to ports in Manchuria, and I interpret the Yalta Agreements as giving her full commercial access to Dairen, with the necessary facilities. Likewise I understand the late President Roosevelt's willingness to permit the Russians to have what in effect is the lease of a naval base at Port Arthur on the peninsula for a limited time. However no concessions should be made which would permit Russia to control or prohibit trade through Dairen or any other commercial port in Manchuria. In other words I would insist that Manchuria be treated precisely as China proper in this regard, except that Russia be permitted to acquire the facilities necessary to develop and support her trade from and to Russia through the port by her joint-control with China of the railway and the normal acquisition of the necessary port facilities. The operation of the railway must be conducted on the usual public carrier basis without discrimination against the trade in Manchuria of any power. I understand Dr. Soong to take this view and I would not hesitate to support China on this, as any other course could constitute an abandonment of one of our longest established and most highly respected American policies. It would also be antagonistic to our clear and growing interests in the orient.

Except for the lease of a naval base at Port Arthur, which in itself is a trend in the wrong direction, no further military rights or control

<sup>6</sup> Copy transmitted to the Secretary of State by the Secretary of War in a covering letter dated July 16, not printed.

should be granted in the Dairen peninsula or elsewhere in Manchuria.

[Final two sections deal with trusteeship for Korea and Allied occupation of the main Japanese Islands.]

HENRY L. STIMSON

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740.00119 (Potsdam)/7-1845

*Memorandum by the Ambassador in the Soviet Union (Harriman)*

[BABELSBERG,] July 18, 1945.

#### YALTA AGREEMENT AFFECTING CHINA

The recent conferences in Moscow between Dr. T. V. Soong and Generalissimo Stalin have resulted in agreement on the following points:

I. China raises no objection and accepts the return to Russia of the southern part of the Sakhalin Island and the accession of the Kurile Islands.

II. Chiang Kai Shek agrees that "the *status quo* for Outer Mongolia shall be preserved" and, in addition, that the Chinese National Government will, after the war is terminated with Japan, recognize the independence of the Mongolian People's Republic, assuming that a plebiscite will be held which re-affirms the desire of the people of Outer Mongolia for independence.

(It should be noted that this latter goes beyond the strict interpretation of the Yalta agreement. On the other hand, it is not considered that the interests of the United States are adversely affected by this concession to the demands of the Soviet Government.)

III. The Soviet Government has offered to the Chinese National Government a Treaty of Friendship, Alliance and Post-war Cooperation as agreed to at Yalta. The terms of this agreement are satisfactory to the Chinese and in general follow similar treaties concluded by the Soviet Government with European countries.

In this connection, Stalin has indicated the Soviet Government's desire for a strong and unified China and has agreed to support Chiang Kai Shek's government in the unification of China under his government and to withhold moral and material support from the Chinese Communist Party and the insurgents in Sinkiang.

In this connection, the Soviet Government also agreed to conclude a civil affairs agreement (along the lines of the Czech agreement) which provides for political representatives of the Chinese National Government accompanying the Red Army, when it enters Chinese territory, in order to organize Chinese administration liberated by the Red Army therein. Stalin agreed that, if the Chinese Government

so requests, the Soviet Government will withdraw Soviet troops from Chinese territory within three months after the termination of hostilities against Japan.

*Agreement was not fully reached between Soong and Stalin on the question of the ports and railroads referred to in the Yalta agreement.*

### 1. *Railroads*

It has been agreed that the Chinese Eastern Railroad and the South Manchurian Railroad shall be equally owned by a joint Soviet-Chinese company. Neither government shall have the right to transfer its share of ownership to a third party. Joint ownership shall be for a period of thirty years at the termination of which all interests shall revert to the Chinese Government. The arrangements relate only to the main lines from Dairen to Harbin and from Harbin to Manchuli and Pogradichnaya.

The Soviet Government has agreed that it should not have the privilege of stationing troops in Manchuria or to have Soviet guards on the railroads or to move troops through Manchuria except in time of war or in the event of a threat of war.

The Soviet Government has demanded that there be seven directors of the railroad companies; four Russian and three Chinese, and that the managers of each of the railroads be Russian and the assistant managers Chinese.

On the other hand, Dr. Soong has proposed that there should be eight directors, four Chinese and four Russian; that the chairman of the board (a titular position without administrative authority) as a courtesy should be Chinese; the manager of the Chinese Eastern to be Russian and the assistant manager Chinese; the manager of the South Manchurian Railroad Chinese and the assistant manager Russian. Dr. Soong is prepared to agree that the interests of the Soviet Government in its transit traffic shall be fully provided for.

### 2. *Ports:*

#### (a) *Port Arthur:*

Agreement has been reached regarding the use of Port Arthur by the Soviet Government as a naval base for a period of thirty years; the port and the adjacent area to be under Soviet military control. As a matter of form, the Chinese will also have the right to use the port.

#### (b) *Dairen:*

The Soviet Government has demanded that the military zone under Soviet control shall extend to and include not only the area of Port Arthur but also the entire area of the original Russian lease of the Kwantung Peninsula which includes Dairen; that one of the bays of Dairen shall be set aside as an additional naval base for Soviet use; that the management of the port be under a mixed Russian-

Chinese commission, that the manager be Russian, and that although the Chinese are permitted to deal with civilian matters, the civil government be under the orders of the Soviet military authorities, including the secret police.

On the other hand, Dr. Soong for the Chinese Government has offered the establishment of Dairen as a free port under Chinese administration, giving the Soviet Government a commercial lease on certain docks and storage yards within the port for exclusive Soviet use. The military zone under Soviet control should not include the port of Dairen or the connecting railway and Dairen should not be used as a Soviet naval base.

Dr. Soong has requested that I lay before the President the points of difference regarding the arrangements for the port of Dairen and the railroads. He further requests that the President inform Chiang Kai Shek of his interpretation of the Yalta agreement in these respects.

He hopes that the President can during the present conference reach an agreement with Generalissimo Stalin along the lines of his (Soong's) proposals. If this is done, Soong is prepared to return to Moscow immediately after this conference in order to conclude the agreements covering all questions discussed. He would prefer, however, to have the opportunity to discuss these matters personally with the President and Generalissimo Stalin in Berlin during the last days of the conference.

#### DISCUSSION AND RECOMMENDATIONS

I believe that Dr. Soong's final proposals as described above adequately fulfill the Yalta agreement. In the discussion leading up to the Yalta agreement, Stalin first asked the President's support for a lease of the railroads and the ports to the Soviet Government. President Roosevelt resisted this demand and proposed that the operation of the railroads and ports be placed under an international trusteeship. He finally agreed, however, to Stalin's counter proposal that the operation of the railroads should be by a "joint Soviet-Chinese Company." It should be pointed out that although the Yalta agreement regarding the railroads states that "the preeminent interests of the Soviet Union shall be safeguarded" it mentions that "the Chinese-Eastern Railroad and the South Manchurian Railroad *which provide an outlet to Dairen* shall be jointly operated." I feel sure that President Roosevelt had in mind that the "preeminent interests" of the Soviet Government related to *transit traffic* and not to any general Soviet interests in Manchuria. There appears, therefore, no reason why Russia should have complete domination of the railroads in which the interests of the Chinese and other nations are also involved.

As to the disagreement over the port of Dairen it is inconceivable that there can be any real free port in a Soviet controlled military

zone. We have ample experience that Soviet military security considerations would make free commercial operations impossible under such controls. The language of the Yalta agreement states that "the commercial port of Dairen shall be internationalized, the preeminent interests of the Soviet Union in this port being safeguarded. . ."<sup>7</sup> Soviet military control of the port would run completely counter to the whole spirit of what President Roosevelt had in mind. I believe President Roosevelt looked upon the lease of Port Arthur for a naval base as an arrangement similar to privileges which the United States has negotiated with other countries for the mutual security of two friendly nations.

It should be noted that when Stalin requested a lease for the port of Dairen President Roosevelt refused to agree to it, indicating that it was against American Chinese policy. There is no reason, from the discussions leading up to the Yalta agreement, to presume that the safeguarding of the "preeminent interests of the Soviet Union" should go beyond Soviet interests in the *free transit* of exports and imports to and from the Soviet Union. Dr. Soong's offer of a commercial lease to the Soviet Government of an area of the port for its exclusive use would appear adequately to safeguard this interest.

Stalin, in his talks with President Roosevelt, at no time asked for the right to use Dairen as a naval base.

Stalin was fully familiar with President Roosevelt's attitude toward foreign concessions in China and I am quite satisfied that President Roosevelt never intended or never would have agreed to special privileges to the Soviet Union which would adversely affect our long standing policy towards China. President Roosevelt did, however, feel that the Soviet Union was entitled to free access to a warm water port for its exports and imports.

If there is to be a compromise as to the management of the port, it might be proposed that the American Government participate therein with the Soviet and Chinese Governments. This would appear to come within the meaning of "internationalization." Dr. Soong told me that he would welcome such participation as a compromise if the United States Government wished to propose it.

Our experience with the control which the Soviet Government exercises over all matters under its direction, convinces me that there would be interference with the development of commerce and trade of the United States and other nations in Manchuria if the port of Dairen and the railroads are under Soviet domination. An agreement at this time to grant to the Soviet Government such control would violate the established policy and principles which the United States has held for a long period of time.

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<sup>7</sup> Omission in the original memorandum.

Stalin has agreed on a number of occasions to support America's open door policy for China and to respect the sovereignty of China in Manchuria.

I, therefore, recommend that we stand firm on the interpretation of the Yalta agreement as indicated above.

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761.93/7-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*<sup>8</sup>

[CHUNGKING,] 20 [19] July 1945.

191752. The following message is from the Generalissimo, President Chiang Kai-shek, for President Truman.

"I saw Soviet Ambassador today and requested him to send following message to Generalissimo Stalin :

"I wish to thank you most warmly for your cordial reception of Dr. T. V. Soong, and the frank and forthright conference you had with him.

On the question of Outer Mongolia we had expected that you would be satisfied with our not pressing the question although both in 1924 and in 1936 your Government had given categorical assurances recognizing that Outer Mongolia is an integral part of China; preservation of the *status quo* could only mean that while the *de facto* position is to be preserved the legal title of China in Outer Mongolia is likewise to be undisturbed. Your insistence that China should recognize independence of Outer Mongolia comes as complete surprise. It will be against the traditional convictions of our people, and it will prove most unwelcome to many members of my Government. Nevertheless provided all other problems are satisfactorily settled I shall not shrink from this greatest sacrifice in order to remove what you consider as the outstanding stumbling block to lasting friendly relations between our two countries.

The problems I refer to are (1) in order that administrative and military unity in China be achieved, Soviet Russia should not extend any moral or material aid to Chinese Communists, any assistance given to China should be confined to the National Government; (2) all possible assistance to China in the pacification of the rebels in Sinkiang; and (3) the territorial and administrative integrity of China in Manchuria be completely respected. As regards first two problems, I am grateful to Marshal Stalin for his categorical assurances to Dr. Soong. As regards the third problem, it relates to the questions of the trunk line of the Chinese Eastern Railway and South Manchurian Railways and Dairen and Port Arthur. Knowing that you were leaving for Berlin, I instructed Dr. Soong to convey every possible concession to satisfy the Soviet Government; specifically, I told him to present them with utmost frankness, laying as it were all cards on the table, without any attempt at bargaining.

The President of the two railways should be naturally Chinese in accordance with respect for the sovereignty and integrity of China.

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<sup>8</sup> Transmitted through Washington to Potsdam for President Truman and the Secretary of State.

I am ready to agree that a Soviet citizen should be manager of the Chinese Eastern Railway Section, while on the South Manchurian Railway Section the manager should be Chinese. As regards Dairen we shall declare it a Free Port so that through traffic with Soviet Russia will not be taxed. In accordance with the principle of administrative integrity of China, Dairen, being the principal port of Manchuria, must be run by a Chinese administration. However, we are ready to employ some Russian technical experts so as to render effective cooperation in meeting Dairen needs. In addition, we are ready to give a long term commercial lease of certain warehouses so that Soviet transit could be facilitated.

As regards Port Arthur I am ready to entrust the defense of the area to the Soviet Government, with a joint Chinese Soviet Military Commission to work out the joint use of the Port. However, in order to give due recognition to the administrative integrity of China in Manchuria the civilian administration should be Chinese, [and I cannot] agree that appointment of Chinese civilian administrators will be made by consultation with Soviet Military Command. Finally the area of Port Arthur should be delimited by a line south of Dairen and the railway leading to Dairen, because the conception of a Free Port or internationalization of that Port is impossible if it is situated within a military area controlled by Soviet Russia. I am ready, however, to have another zone between that line and the bottleneck leading to Dairen, where the defense problem could be worked out by the Joint Military Commission, but Dairen and the railways from Changchun to Dairen must be outside the military zone.

I trust that Generalissimo Stalin would recognize that China has made the utmost efforts to meet Soviet needs. I hope that he would realize that after suffering from eight years of war, and at the moment when the tide is definitely turning against Japan, I cannot go entirely beyond what my people are ready to accept. In other words, I have frankly put forward all I could do to meet Soviet needs.

Since the Yalta proposals were put forward through the American Government, and since Mr. Harriman on behalf of the President has asked that the American Government be kept fully informed, I shall inform President Truman of this message to you.'

The above is the substance of my message to Generalissimo Stalin. Although China was not represented at the Yalta Conference, you, Mr. President, will realize that we have gone the limit to fulfill the Yalta formula. We have even gone beyond it in the case of Outer Mongolia, we have gone as far as the public opinion of China will stand. We may even have already gone beyond the limit that the Chinese people will support. I trust in your conversations with Generalissimo Stalin you would impress him on the eminently reasonable stand we have taken, so that he will not insist on the impossible. Hoping for your prompt action and support and awaiting your reply, Sincerely yours, Chiang Kai-shek."

Please acknowledge receipt.

HURLEY

740.00119 Potsdam/8-745

*President Truman to the Ambassador in China (Hurley)*

[BABELSBERG,] July 23, 1945.

Number 310. Please deliver the following message to Generalissimo Chiang Kai-shek :

"I refer to your message of 19 July quoting your telegram to Generalissimo Stalin.

I asked that you carry out the Yalta agreement but I had not asked that you make any concession in excess of that agreement. If you and Generalissimo Stalin differ as to the correct interpretation of the Yalta agreement, I hope you will arrange for Soong to return to Moscow and continue your efforts to reach complete understanding. Truman."

TRUMAN

761.93/7-2845 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

[BABELSBERG,] July 28, 1945.

Please deliver as soon as possible the following message to Dr. Soong :

I understand you were to communicate with Marshal Stalin by 30th or 31st July. I think it important that before that date you communicate with him here through Moscow requesting opportunity to return to Moscow and continue discussions in hope of reaching agreement.

[BYRNES]

761.93/7-2845

*Memorandum by the Ambassador to the Soviet Union (Harriman) to the Secretary of State*

[BABELSBERG,] July 28, 1945.

Mr. BYRNES : In connection with Dr. Soong's discussions with Stalin it seems clear that Soong has carried the negotiations as far as the Chinese Government is able to do so. It comes now to a question of the interpretation of the Yalta Agreement in connection with the points remaining at difference. China is not in a strong position to resist unaided the present exaggerated Soviet demands. Since the United States is involved by the Yalta Agreement in the contemplated settlement between China and the Soviet Union, I believe it is in our interest that the President give his interpretation of the Yalta Agreement specifically in connection with the differences over the arrangements for the port of Dairen and the operation of the railroads. I am



fearful that unless this is done Soong will be forced to make concessions which are at variance with our fundamental policies towards China and adverse to our national interests. The United States Government has taken the initiative in inducing the Chinese Government to discuss with the Soviet Government the subject of the Manchurian railroads and ports. If the resulting arrangements between the Chinese and Soviet Governments would have the effect of giving the Soviet Government special advantages over American and other foreign commerce with Manchuria or even shutting out foreign trade, the United States Government could not escape the responsibility of not having the "open door" policy in that area.

The President's views can be put before Stalin here or else I can be instructed to inform Stalin at some stage of the further conversations which will be held when Soong returns to Moscow.

Although it may not be desirable for us at this time to show any concern over the question of Russia's entry into the war against Japan, it would seem that there are substantial advantages in the reestablishment of friendly relations between the Soviet Union and China, particularly the agreement that the Soviet Government will support the Chinese National Government as the unifying force in China.

If agreement is reached between the Chinese Government and the Soviet Government I believe that it is important for us to obtain from the Soviet Government reaffirmation in writing of the verbal assurances of Stalin to support our "open door" policy and specifically in its application to Manchuria. In the event the Soviet Government uses the privileges granted to it in Manchuria against our interests, such an agreement would be of value in giving us the opportunity to deal with the Soviet Government directly.

I am attaching a draft of a possible memorandum to be agreed to between the Soviet and United States Governments with this objective in view. Such an agreement could be negotiated with Stalin in Moscow at the time of the forthcoming discussions with Soong.

W. A. HARRIMAN

[Annex]

#### DRAFT PROTOCOL

The Governments of the Republic of China and of the U. S. S. R. are entering upon agreements respecting the operation of specified railways in Manchuria and the administration of an international free port at Dairen. These agreements under negotiation have their origin in recognition of the Soviet Union's interest in the maintenance of transit rail traffic between Siberia across Manchuria to Vladivostok and to the ice-free port of Dairen as a means of facilitating the com-

merce of Siberia with the outside world. Their sole objective is to give to the commerce of the Soviet Union unimpeded access to the sea through Manchuria on a basis free from treatment which would be either discriminatory or preferential.

Full recognition is given by the Soviet Union to the sovereignty of the Government of China in Manchuria.

Full recognition is accorded by the two Governments negotiating the agreements to the principle of equality of opportunity which underlies the historic "open door" policy. Thus, the specified railways and the free port of Dairen shall be administered and operated in a manner to accord complete equality of opportunity to the nationals and commerce of all nations maintaining relations with China. There shall be equality of treatment in all matters such as rates, allocation of space, handling and dispatch of goods on the railways, and to such regulations, charges, etc., as may be applicable to ships calling at Dairen and to the handling of incoming and outgoing freight at the port.

Furthermore, implementation of the agreements for operation of the railways and administration of the free port of Dairen shall be in accord with the rights acquired by nationals of nations having commercial treaty relations with China in respect to residence, the pursuit of commercial investment and cultural enterprises, and other matters covered by treaty.

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761.93/7-2945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[CHUNGKING,] 29 July 1945.

290927. This is a sidelight for your information. At 1335 hours Chungking time July 29 I sent you, both Army and Navy, a reply from Soong to your message of July 28. He states that he has an understanding with Molotov to return to Moscow to reach there soon after Stalin's return. This was not a message direct to Stalin as you requested. It was the best we could get. We hope it fulfills the purpose. Soong will return to Moscow to resume negotiations. After his return from Moscow Soong told me that he doubted the advisability of returning to Moscow himself. At that time he suggested the advisability of having Dr. Wang Shih-chieh appointed Foreign Minister and sending him to Moscow. I told Soong frankly that I thought his plan not feasible and that he should personally conclude the negotiations. This morning in our conference with Soong and Chiang Kai-shek, Soong suggested in my presence the advisability of making Dr. Wang Minister of Foreign Relations and sending him

to Moscow to conclude negotiations with Stalin. I opposed this on the grounds that Soong as Prime Minister is the only man in China other than the Generalissimo with proper hand to negotiate with Stalin. If Soong declines to go, sending a new Foreign Minister might have a damaging or perhaps a destructive effect on the negotiations. It was finally agreed that Soong would return to Moscow but it was suggested that Dr. Wang be appointed Foreign Minister and accompany him. This would be satisfactory. Soong is distressed about his political future. He fears the proposed agreement with the Soviet will be damaging to him personally. The first time I saw Soong after his return from Moscow he threw up his hands and said, "I am a broken man. I am personally ill from overstrain and overwork." Later he said, "This proposed agreement with Soviet will be destructive politically to the man responsible for it." There is every indication that the Generalissimo is anxious for a just, friendly and early agreement with Soviet. The Soviet Ambassador here states Soong agreed in Moscow that China will join Soviet in recognizing independence of People's Republic of Outer Mongolia. As I heretofore advised you Chiang Kai-shek directed [possible garble] Soong to take this action. At the same time he directed Soong to obtain from Soviet modification of terms on railroads and ports in return for recognition of independence of Outer Mongolia. Perhaps it is this point that is distressing Soong. It appears that Soong has not yet obtained any modification in regard to railroads and ports.

HURLEY

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761.93/7-3145

*Memorandum by the Ambassador in the Soviet Union (Harriman)  
to the Secretary of State*

[BABELSBERG,] July 31, 1945.

MR. BYRNES: When Dr. Soong arrives in Moscow Stalin will expect Soong to have instructions from Chiang Kai Shek to sign promptly an agreement along the lines of Stalin's proposals presented early in July. Unless the Chinese give in or unless the United States takes a firm position on the interpretation of the Yalta agreement the negotiations will break down and Chinese-Soviet relations will be severely strained.

It would be contrary to the interests of the United States for Soong to go beyond his counter proposals previously submitted and since Soong cannot remain in Moscow after disagreement has arisen, I recommend that I be instructed to inform Stalin at that time:

1) that at Yalta President Roosevelt declined to agree to Stalin's original proposal for a Soviet lease of the port of Dairen and insisted

upon its internationalization as a commercial free port (as set forth in my memorandum dated July 18) ;

2) that we cannot agree to the inclusion of the port in the Soviet military zone or its use as a Soviet naval base, and

3) that if Stalin does not agree to Soong's proposal for a free port under Chinese administration with a commercial lease of a certain section of the port for Soviet transit traffic we propose the creation of an international commission consisting of representatives of the Chinese, Soviet, United States and possibly British Governments to supervise the operation of Dairen as a free port.

The differences regarding the operation of the railroads are not as fundamental. I am hopeful that Soong and Stalin will be able to compose the points at issue.

In connection with these proposed arrangements between the Soviet and Chinese governments I recommend that I be instructed to propose to Stalin a protocol, along the lines of the draft attached to my memorandum of July 28, reaffirming in writing Stalin's verbal assurances to observe the "open door" policy in Manchuria.

W. A. HARRIMAN

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761.93/8-445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

[BERLIN,] 4 August 1945.

040931. Am advised Soong and new Foreign Minister<sup>9</sup> arriving Moscow Monday August 6. I will be back in Moscow by then. I request that I be instructed along the lines of my memorandum to you of July 31.

HARRIMAN

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761.93/8-545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 5, 1945—4 p. m.

[Received August 5—8:37 a. m.]

1287. From T. V. Soong.

"In accordance with my previous understanding, Molotov has requested me to proceed to Moscow immediately. I am leaving for Moscow, 5 August, with Soviet Ambassador. (Signed) Soong".

Soong left by plane this morning with Soviet Ambassador and Dr. Wang Shih-chieh, new Minister for Foreign Affairs, and also more

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<sup>9</sup> Wang Shih-chieh.

assistants than last time. The points still at issue between China and Soviet fully set out in previous messages, especially Generalissimo's message, No. 191752, 19 July, to President giving substance of Generalissimo's message to Marshal Stalin. In addition to what was heretofore reported, Dr. Soong told me last night that:

(1). China will agree to entrust defense of Port Arthur to Soviet but will require establishment of Sino-Soviet military council which will work out joint use of port.

(2). Soviet has made new demand that China agree not to fortify islands for a hundred miles south of Port Arthur. Dr. Soong said China will not agree to new demands by Russia and will maintain China's right to fortify islands south of Port Arthur without Soviet's consent. Soong stated if China would consent to this last demand on the part of the Soviet it would be tantamount to giving Soviet complete control of the Gulf of Pechili. Notwithstanding Dr. Soong's personal attitude and the various precautions he has taken to avoid personal responsibility, we are convinced that the Generalissimo is demanding that an amicable agreement be reached immediately with Soviets on the basic essentials of the Yalta decisions though not in the words of the document.

HURLEY

761.93/8-545: Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

[WASHINGTON,] August 5, 1945.

White House Number 316. Your cable Number 040931.<sup>9a</sup> You are authorized to inform Stalin:

(1) While we have no intention of withdrawing our support of the agreed Yalta proposals we believe that Soong has already met the Yalta requirements and we hope very much the Generalissimo will not press for further concessions.

(2) We would request that no agreement be made involving further concessions by China that might adversely affect our interests, particularly with reference to the inclusion of the Port of Dairen in the Soviet military zone, without consultation with us. It should be recalled that President Roosevelt declined to agree to Soviet original proposal for a lease of Dairen and insisted on its internationalization as a free port. Because of our interest in the open door policy we would be opposed to the inclusion of the Port of Dairen in the Soviet military zone or its use as a Soviet naval base.

(3) We would further suggest that a protocol, along the lines of the draft attached to your memorandum of July 28, reaffirming Stalin's verbal assurances to observe the "Open Door" policy in Manchuria should be concluded immediately and published at the same time as

<sup>9a</sup> Dated August 4, p. 954.

the Soviet-Chinese arrangements. This would go far to dispel misunderstanding, as our public opinion is much opposed to any arrangements which might be construed to prejudice our historic open door policy.

In taking up proposed protocol with Stalin you should eliminate last paragraph of your draft.

While we much prefer Soong's proposal for a free port of Dairen under Chinese administration with a commercial lease of a certain section of the port for Soviet transit traffic, you may advise Soong and Stalin, should it become necessary, that we would not object to the creation of an international commission consisting of representatives of the Chinese, Soviet, United States and possibly British Governments to supervise the operation of Dairen as a free port.

[BYRNES]

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761.93/8-645 : Telegram

*The Ambassador in the United Kingdom (Winant) to  
President Truman*

[LONDON,] 6 August 1945.

344. MA-2258. The Prime Minister has asked me if I would get through to you at once the following message to you from him:

"I understand that during Dr. Soong's negotiations in Moscow in July Russians pressed him to agree to terms which in some respects (Outer Mongolia, Dairen and Chinese Eastern and South Manchurian Railways) went beyond his interpretation of the Yalta Agreement. I am awaiting up-to-date report from Clark Kerr<sup>10</sup> on position after resumption of Dr. Soong's negotiations in Moscow today. But it seems possible that Dr. Soong may seek support of United States and United Kingdom Governments in resisting any attempt to stretch the Yalta Agreement.

"I would naturally like to coordinate the policy of His Majesty's Government with that of the United States Government in this matter.

"It would be most helpful, therefore, to me to know whether, and if so in what terms, the United States Government have given guidance to Dr. Soong, or entered into any commitment to support the Chinese Government in resisting demands in excess of the Yalta Agreement; or to what extent and in what way the United States Government are in fact prepared to support them.

"In the case of Dairen and the railways the phrase about safeguarding 'the pre-eminent interests of the Soviet Union' is ambiguous and seems likely to lead to difficulty. Can we agree on an interpretation of it in case of need?"

[WINANT]

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<sup>10</sup> Sir Archibald J. K. Clark Kerr, British Ambassador in the Soviet Union.

761.93/8-745 : Telegram

*The Acting Secretary of State to the Ambassador in the United Kingdom (Winant)*

WASHINGTON, August 7, 1945—9 p. m.

6633. Following telegram has been received for you from the Secretary :

“Reference Winant’s No. 2258.<sup>10a</sup> The President directs me to inform you that on August 5 I cabled Harriman in substance as follows: [Here follows substance of White House telegram No. 316, August 5, to the Ambassador in the Soviet Union, page 955.]

“You may inform the Prime Minister of the substance of our position and our unwillingness to give a broader interpretation to the ambiguous reference to the ‘pre-eminent interests of the Soviet Union’ at Yalta than was clearly intended. We should be glad to be kept informed of the Prime Minister’s views. Byrnes.”

GREW

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740.00119 Potsdam/8-745 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

[Moscow,] August 7, 1945.

071920. White House No. 316 received. Soong arrived this afternoon. He tells me Chiang Kai-shek has approved the proposals he, Soong, made to Stalin on his last visit along the lines I have reported. Chiang has agreed however that if Stalin insists the Soviet military zone may extend north on the Kwantung Peninsula to the line of the old Russian lease except that the Port of Dairen and the connecting railway must be excluded from the military zone. Chiang feels that Stalin’s request for the establishment of Soviet defenses in this area is reasonable since the Soviets are to have the use of Port Arthur as a naval base. General Deane<sup>11</sup> and I see no objection from our standpoint in China’s making this concession providing the agreement is clear that the free port area of Dairen and the connecting railway are not included in the Soviet military zone and the Port is under Chinese administration. Therefore unless instructed to the contrary I will not interpose objection to this concession. Upon completion of his negotiations here Soong plans to come to Washington in accordance with the agreement he made with President Truman when he was last in Washington. He is very anxious to do this but has requested me to

<sup>10a</sup> *Supra.*

<sup>11</sup> Maj. Gen. John Russell Deane, Chief of U.S. Military Mission at Moscow.

ascertain whether it is still agreeable.<sup>12</sup> After a short stay in Washington he plans to return to China via London and Paris. He hopes that he may continue to have the use for this trip of the aeroplane which is now at his disposal.

[HARRIMAN]

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761.93/8-845 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

[Moscow,] 8 August 1945.

081341. Soong told me this morning of his talk with Stalin and Molotov last night. Agreement was reached regarding the arrangements for the use of Port Arthur as a Soviet Naval Base. In order to save face there is to be set up a Chinese-Soviet Military Commission to supervise the Port and the Chinese Navy is to have the right to use the base but the administration is to be by the Soviet Military Command. The military zone will include Port Arthur and extend up the Kwantung Peninsula north of Dairen but Stalin agreed that the Port of Dairen and the connecting railway should be excluded from the Military Command. Civil administration would remain with the Chinese in consultation with the Soviet Military Command in so far as security is affected. Stalin rejected Soong's offer that Dairen should be a free port under Chinese management with a commercial lease of piers and storage facilities for Soviet transit traffic. He insisted that a Soviet-Chinese Commission equally representative should be set up to administer the Port and City of Dairen with a Soviet official in charge of the operations of the Port. Soong however did not deviate from his proposal.

Stalin raised no objection to Soong's proposal for the operation of the railroads by a joint company with equal representation on the Board of Directors with a Soviet manager and Chinese assistant manager for the Chinese Eastern and a Chinese manager and Soviet assistant manager for the South Manchurian Railway connecting with the Port. The discussion of these matters ended with agreement. Stalin requested Soong to put his proposals in writing.

Stalin then raised the question of "war trophies" and indicated that some of the Japanese properties including the shares of some

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<sup>12</sup> On August 9, the Secretary of State instructed Ambassador Harriman to inform Dr. Soong that it would be agreeable for him to visit Washington on completion of his mission to Moscow (033.9311/8-945).



Japanese enterprises should be considered as Soviet war trophies in areas occupied by the Red Army. Soong inquired exactly what Stalin had in mind but Stalin was evasive and left the matter for future discussion. This was the first time this subject has been mentioned to Soong and it has never been raised with us. If the Soviets define war trophies as they did in connection with Germany including also shares of Japanese enterprises it would be possible for the Soviets to strip Manchuria of certain of its industries and to obtain permanently complete industrial domination of Manchuria. I understand the Japanese have taken possession of and developed most of the heavy and light industries in Manchuria. I request urgent instructions as to our position on this question particularly if Stalin should raise the matter with me. This is another case where Stalin has increased his appetite and I recommend that we resist his demands for shares of stock of Japanese enterprises and restrict the definition of war booty to matériel that has been historically so regarded in accordance with the United States' definition submitted at Potsdam.<sup>13</sup>

As to reparations, I recommend that our position should be that all Japanese property whether in Manchuria or elsewhere should be available to all countries who have suffered damage by Japanese aggression to be allocated by agreement between the Powers. As this subject has not been raised I am fearful that unless we make our position plain at this time the Soviets will contend that they have the right to define unilaterally war trophies within the areas occupied by the Red Army. I have consulted Ambassador Pauley<sup>14</sup> and he concurs in these recommendations.

Soong is much discouraged by his talk but is preparing his proposals for submission to Stalin. I am [8 garbled groups] him the draft of the protocol reaffirming Stalin's verbal assurances to observe the "open door" policy in accordance with paragraph 3 of my instructions contained in White House message No. 316. The draft of the protocol appears to require both Soviet and Chinese concurrence. I will therefore suggest to Stalin that this be an identic communication addressed to the United States by both the Soviet and Chinese Governments. If Stalin discusses his negotiations with Soong I will state our position as directed by paragraphs 1 and 2.

[HARRIMAN]

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<sup>13</sup> See *Foreign Relations*, 1945, The Conference of Berlin (The Potsdam Conference), vol. I, p. 543, vol. II, pp. 833, 834.

<sup>14</sup> Edwin W. Pauley, Personal Representative of President Truman in matters pertaining to reparations.

Moscow Embassy Files—710 Sino-Soviet Relations

*Memorandum of Conversation, by the Minister Counselor  
in the Soviet Union (Kennan)*

Moscow, August 8, 1945.

Present: W. A. Harriman, American Ambassador  
George F. Kennan, Minister Counselor  
Generalissimus Stalin  
V. M. Molotov, People's Commissar for Foreign Affairs  
Mr. Pavlov, Soviet Interpreter

The Ambassador began the conversation by stating that the President had asked him to come to see the Generalissimus and to discuss a certain matter relating to the Yalta Agreement. The President was anxious that it should be made clear to the American public, in connection with the agreements which the Russians and Chinese were now negotiating concerning the use of ports and railroads of Manchuria, that there would be no departure either by the Russians or the Chinese from the open-door policy in that area. He pointed out that the Generalissimus had repeatedly expressed his support of the open-door policy in previous conversations and voiced the President's hope that the Generalissimus would consent to put this in writing, to be published at the same time as the Chinese-Russian agreements.

The Generalissimus replied, "This shall be done."

The Ambassador then handed Generalissimus Stalin the text, in Russian translation, of the proposed communication from the Soviet and Chinese Governments to the United States Government.<sup>15</sup> The Generalissimus looked it over and said that it would be satisfactory except for the last sentence of the first paragraph. He pointed out that in the Crimea agreement there had been a reference to Russia's preeminent position. That meant a preferential position in the administration of the port. They consider that there should be in Dairen a municipal administration headed by a Chinese-Soviet council of five members each, the chairman of which should be a Chinese, but that the manager of the port should be a Russian, who would be subordinate to the municipal administration. That was how they interpreted the term "preeminent". It did not apply to trade. He did not think it ran counter to the open-door policy. It was only a question of the relations between Russians and Chinese in the administration of the city and port.

<sup>15</sup> For text, see annex to memorandum of July 28, p. 951; however, as handed to Marshal Stalin, the final paragraph was omitted in accordance with penultimate paragraph of White House telegram No. 316, August 5, p. 955.

The Ambassador said that he had a message from the President on this subject. The President had every intention of supporting the Yalta agreement. As the Generalissimus was aware, the President had talked to Soong in Washington, and Hurley had talked with Generalissimo Chiang. The President felt that Soong's proposals met the Yalta agreement and hoped that the Generalissimus would not press Soong further for concessions. The Ambassador believed that what President Roosevelt had had in mind when he spoke of Russia's preeminent position was full protection of Russian transit traffic across Manchuria to the warm water ports. The President's thinking had not gone beyond this.

The Generalissimus stated that they too did not go beyond that. He felt that they had been generous enough with the Chinese. Both the railroad and the port had been built by Russians with Russian funds. Nevertheless they had now agreed to its joint use and possession. In tsarist days there had been Russian railroad guards. They had now renounced this privilege, although they had strong doubts as to the ability of the Chinese to guard the railroad effectively. In the old days there had been no Chinese in the administration of the railroad. Now they were meeting the Chinese half way in this respect. But he believed the Chinese regarded the Russians as unwelcome and undesirable guests—that they wanted the Russians to be put into a position where they could not operate.

The Ambassador said that it had long been American policy to acknowledge the full sovereignty of China in her own territory and to allow China to work out her own destiny and to support herself economically. Neither President Roosevelt nor President Truman had wanted to see a step backwards in this respect. He hoped the matter would be worked out which would give the Chinese sovereignty and control.

The Generalissimus said they were in favor of this. They had no objection to Chinese sovereignty and control. After all, they were returning Manchuria to the Chinese.

The Ambassador asked why they wanted to insist on taking charge of operations in the port as long as they had guarantees about their traffic.

The Generalissimus said that someone had to be master there. The Russians had built the port. The place had to be kept in order.

The Ambassador pointed out that Soong had been prepared to give the Russians a commercial lease on docks, warehouses, etc. in the port area, but that this would not affect the administration of the port.

The Generalissimus said that he couldn't make out exactly what Soong had suggested. Soong had talked a lot and wasted a lot of

time making notes but they had not understood exactly what he was proposing. They had asked him to put his proposals in writing but he had not yet done so.

Mr. Molotov said that they had just received part of what Soong had promised to send.

The Generalissimus said that they had put their own proposals to Soong in writing, both in Russian and English. From Soong they had had only words.

The Ambassador replied that he was in the same position, and that he had no information on these matters except from cables he had received and what Soong had told him. The President hoped, however, that no final agreement would be concluded with Soong except in consultation with us. He recalled that at Stalin's request President Roosevelt had agreed to take the initiative in this matter.

The Generalissimus replied that the Russians had nothing to hide.

The Ambassador said that President Truman had accepted Soong's general proposals. If the Russians and the Chinese went beyond them, he would like to be informed.

The Generalissimus said he had no objection to President Truman's intervening in this matter, but he felt that the President should listen to the Russians as well and not only to the Chinese.

The Ambassador recalled that the President had intervened only in pursuance to a request made by Stalin himself and had exerted his influence on Soong. He asked whether he might understand that when the Generalissimus learned the exact nature of Soong's proposals he would let us know how they struck him. In the case of Port Arthur, the President felt it to be in our mutual defense interests of the Soviet Union and China for the Russians to have the use as a Naval base. But Dairen, he felt, should be a free port outside the military zone, with the reservation that Soviet transit traffic should be fully protected.

The Generalissimus replied that Dairen could not be outside the military zone. A different regime from Port Arthur might be established there; but the place had to be protected. The Japanese would have agents and saboteurs there; the Chinese could not cope with this problem. According to all the old treaties and maps, Dairen was part of the military zone. Yet now attempts were being made to exclude it. Why, he asked, did the Chinese regard them as fools? After all, Dairen was near Port Arthur.

The Ambassador said the Generalissimus would recall that President Roosevelt did not agree to the lease to the Russians of the port of Dairen. He thought it should be a free port and not part of the military zone.

The Generalissimus said nothing had been said to the effect that it should not be included in the military zone. They intended to have no Naval vessels there, no coastal defenses, etc. but they could not permit Japanese agents to wander about in the rear of their troops.

The Ambassador said that President Truman's interpretation was what he had outlined.

The Generalissimus said the Chinese had agreed that the whole peninsula should be a military zone.

The Ambassador said he understood the Chinese were proposing that Dairen be excluded.

The Generalissimus said, "That's what they say now."

The Ambassador pointed out that the Russians had originally suggested that there be a joint lease for the two ports which had not been agreed to. We interpreted it differently. They might have coastal defenses around the city, in any way they and the Chinese might like. But the port could not be military.

The Generalissimus reiterated that there would be no Naval ships there but that they would need a security zone around the port. It was wrong to think they would be free from danger but they would set up a different regime there than in Port Arthur. How, he asked, could the Chinese operate the port unless there were a master? Therefore there would have to be a Russian Captain of the Port.

The Ambassador asked whether the municipality would be excluded from the military zone under their proposals.

The Generalissimus explained that there would be a district with a non-military regime, but that matters of security would be decided by the military authorities. This would not affect freedom of trade.

Mr. Molotov said that the Chinese had agreed to everything but one point: namely, who was to be the captain of the port, a Chinese or a Russian. This question was one of internal security, of police security. In the zone to be set up as a hinterland, Chinese administration would likewise control, but security would be a matter for the Russians. As regards Dairen, the question was who would be the chief of the port.

The Ambassador said the President hoped that the port would be under Chinese jurisdiction with certain areas set aside for Soviet transit traffic.

The Generalissimus said that the municipal administration would be Chinese just as it would be in the interior zone north of Port Arthur.

The Ambassador reiterated the President's hope that the open-door policy would be observed.

The Generalissimus said that it would be, but that it was impossible that the Russians should not play a role there. This would be counter to the Crimea Agreement.

The Ambassador said perhaps when the Chinese had submitted written proposals it would be easier for us to come to a meeting of the minds on this matter.

The Generalissimus replied, "Perhaps it will".

The Ambassador asked whether he might tell the President that the Generalissimus would keep the President informed of Soong's proposals and his reactions.

The Generalissimus said he would not only keep the President informed but he would be glad to give the Ambassador full information.

The Ambassador said that he would be glad to see the proposals and would of course report them at once to the President. Perhaps meanwhile the Generalissimus would give further thought to this matter.

The Generalissimus, pointing to our proposed text, said it was all very well but that there could be no assurance of non-preferential treatment, that after all they had preeminent interests.

The Generalissimus then produced a map showing the Kwantung Peninsula, pointed out that in tsarist times there had been not only a Russian military zone embracing the whole peninsula but also beyond it a neutral zone in which neither side could station forces. He pointed out that the Russians were now renouncing the neutral zone and using a slightly smaller territory for military zone. Dairen, he insisted, should be run in cooperation between the Chinese and the Russians.

The Ambassador asked whether it would be necessary for people to have military permits to pass through the port and over the railroad.

The Generalissimus said no.

The Ambassador said we had envisaged that the town and railroad would be excluded from the military zone.

The Generalissimus said that as long as there were no hostilities in the vicinity no troops would be stationed there. He said that the Russians were taking a long view of this matter. They wanted these ports for only 30 years during which time they hoped to develop their own ports on the Pacific. At the present time, the Japanese might be defeated; but he could not tell what the situation would be ten years hence. The Japanese were stubborn, tenacious people. Russia had to guard her own security. She could therefore not be excluded from the administration of Dairen.

The Ambassador asked whether, under the arrangements envisaged by the Russians, freight and passengers of all friendly countries would be able to move freely through the port.

The Generalissimus replied, "Undoubtedly".

The Ambassador said that then the question was who should run the port.

The Generalissimus repeated that the Russians wanted a control organ consisting of five members, of whom the chairman would be a Chinese, but that the chief of the port, to be subordinated to the control organ, should be a Russian.

In conclusion the Generalissimus asked the Ambassador to tell the President that they were doing everything in their power to strengthen the sovereignty of China. They would consider it dishonorable to do otherwise. Furthermore they would guarantee full freedom of trade. No obstacles would be placed in its path. The principle of the open-door would rule. All this he could assure us, as far as the Russians were concerned. As for the Chinese, they did not know. That was no matter of theirs. But they would do everything in their power to see that the open-door policy was followed by their own authorities.

The Ambassador asked whether this applied to the railroad as well. The Generalissimus replied yes, their use would also be free.

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Moscow Embassy Files—710 Sino-Soviet Relations : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

[Paraphrase]

[Moscow, August 8, 1945.]

082330. [Here follows report of conversation recorded in memorandum of August 8 printed *supra*.]

It is difficult for me to believe, in spite of Stalin's assurances, that there can be a truly free port under Soviet management with security control by Soviet secret police and I see in the Yalta Agreement nothing which would obligate us to support an arrangement of the kind described.

[HARRIMAN]

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740.00119 P.W./8-945 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union (Harriman)*

WASHINGTON, August 9, 1945—1 p. m.

1775. 1. We approve your recommendations with regard to our position on the question of reparations and "war trophies" with respect to Manchuria contained in your telegram of August 8.<sup>18</sup>

2. As you know Manchuria is regarded by this Government as an integral part of China to be restored to Chinese sovereignty when

<sup>18</sup> Telegram No. 081341, p. 958.

liberated from the Japanese. We have never recognized the existence of "Manchukuo" and consider that China, which is our ally in this war and has been at war with Japan for over eight years, is entitled to special consideration in regard to reparations by Japan. Our position in this matter is particularly strong in its application to Japanese properties located within Chinese territory.

3. You are therefore authorized to inform Soong and, if the Soviet Government raises the question with you, to inform Stalin that, (on the negative side) we are opposed to the Soviet interpretation of war trophies and to any unilateral or bilateral (Sino-Soviet) decisions with regard to Japanese reparations in kind from Manchuria; and that, (on the positive side), we desire that the question of reparations from Japan be decided by agreement among the governments of nations which have actively and substantially participated in the war against Japan, with special consideration being given to the Chinese in regard to reparations in kind from Manchuria or other parts of China liberated from the Japanese.

In this general connection, the industrial equipment found in Manchuria is an essential element in maintaining the economy of that area, and we would therefore support very strongly any opposition by China to the removal of such equipment.

BYRNES

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761.93/8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—6 p. m.

[Received August 9—9:25 a. m.]

1318. Generalissimo told me noon today he received message from Soong saying that matters moved very smoothly in first conference between him, Stalin and Molotov. Generalissimo was of the opinion that an amicable agreement would be reached soon (sent Department, repeated Moscow).

The Generalissimo stated that it appeared that so far only one issue had been passed for further consideration and that involves the operation of the port facilities of Dairen.

HURLEY

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761.93/8-1045 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

[Moscow,] August 10, 1945.

[101425.] Soong was unable to see Stalin last night but is seeing him tonight. If compelled to do so he may make some further con-



cessions regarding Dairen in order to reach agreement. I told him that if these might [affect] United States policies or interests we would expect to be consulted prior to conclusion of the agreement. I told him also as a matter of record that the United States Government considered that his present proposals had fulfilled the Yalta Agreement and that any further concessions would be with the understanding that they were made by the Chinese Government because of the value it attached to obtaining Soviet support in other directions. He thoroughly understands and accepts the correctness of this position.

[HARRIMAN]

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761.93/8-1045

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

Moscow, 10 August 1945.

M-25257. While at Potsdam General Marshall<sup>17</sup> and Admiral King<sup>18</sup> told me of the proposed landings in Korea and Dairen if the Japanese gave in prior to Soviet troops occupying these areas.

Considering the way Stalin is behaving in increasing his demands on Soong I recommend that these landings be made to accept surrender of the Japanese troops at least on the Kwantung Peninsula and in Korea. I cannot see that we are under any obligation to the Soviets to respect any zone of Soviet military operation.

General Deane<sup>19</sup> concurs.

[HARRIMAN]

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761.93/8-1145 : Telegram

*The Ambassador in the Soviet Union (Harriman) to President Truman and the Secretary of State*

Moscow, 11 August 1945.

111258. Soong told me this morning of his negotiations with Stalin last night. Stalin insists that Dairen be within the Soviet military zone but agrees that military authority should not be exercised in time of peace over the city of Dairen including the port and connecting railways. In time of war the Soviets would assume control. This seemed acceptable to Soong. Stalin now agrees that the administration of the city of Dairen including the port should be

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<sup>17</sup> General of the Army George C. Marshall, Chief of Staff, U. S. Army.

<sup>18</sup> Fleet Adm. Ernest J. King, Commander in Chief, United States Fleet and Chief of Naval Operations.

<sup>19</sup> Maj. Gen. John R. Deane, Chief of the U. S. Military Mission in the Soviet Union.

Chinese. The Chief of the Port, however, should be Soviet reporting to the Chinese Mayor. This also Soong is prepared to accept. Stalin, however, proposed that the port facilities should be jointly owned. Soong will not agree to this but will propose that certain wharves and storage facilities should be leased to the Soviets at nominal terms. He hopes that Stalin will accept this compromise.

As to Outer Mongolia, Soong proposed that the Chinese should recognize its independence after a mixed Commission had agreed upon the boundaries. Stalin rejected this and insisted that China accept "the existing frontiers". As these are vague and [un]defined, Soong does not feel this is possible. He will propose however that China will recognize the independence of Outer Mongolia after the plebiscite and that then a Chinese-Mongolian Commission should define the "existing boundaries". This counter proposal he believes Stalin will accept. It is interesting to note that in connection with the discussion on Outer Mongolia Stalin threatened Soong that if China did not agree the "Inner Mongolian brothers would join Outer Mongolia in forming a greater Mongolian Republic". Stalin evidently feels that he is in a position to speak for the Mongolian peoples.

As to the railroads, Stalin agreed to Soong's proposal that there should be a board of directors of 10 with equal membership with one of the Chinese as chairman. He insisted, however, that there should be one Soviet manager for both railroads with a Chinese assistant manager. No agreement was reached but in the last analysis I believe Soong will give in on this point if all other questions are settled.

As to Port Arthur, Stalin last night refused to agree to a Chinese-Soviet Commission. Soong, however, believes that he can come to some satisfactory solution which would save China's face since he recognizes that Port Arthur and the military zone must be under Soviet control.

There was a long argument in regard to the wording of the proposed Soviet agreement to support the Chinese National Government and to withhold moral, material and military aid from dissident elements within China. Compromise language, however, was agreed upon which is not quite as clear as Soong would wish but as it is after all a question of good faith he feels that he should accept this language.

The conversation concluded with a threat by Stalin advising Soong that he had better come to an agreement quickly or "the Communists will get into Manchuria".

Soong is having further negotiations with the Soviets today.

Stalin's demand for joint ownership of the port facilities of Dairen and for one Soviet manager for both railroads appear to be the principal stumbling blocks. The former Soong will not give in to whereas I believe he will concede the latter.

Soong expressed the opinion that our intervention in connection with Dairen had materially assisted him in obtaining concessions from Stalin's original demands.

It is my opinion that our interests would be adversely affected if Soong agreed to give the Russians joint ownership of the port facilities of Dairen and the Yalta Agreement certainly does not envisage this but I do not feel that the issue over the managership of one of the two railroads is of sufficient importance to allow the negotiations to break down.

It would be helpful if I could be informed urgently of your views on these developments.

[HARRIMAN]

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761.93/8-1145 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Harriman)*

WASHINGTON, August 11, 1945.

[White House No. 328.] The following is in reply to your telegram of August 11.<sup>20</sup>

1. With regard to the wording of the proposed Soviet agreement to support the Chinese National Government and to withhold aid from dissident elements within China, while this is a matter in which we cannot officially intervene, the language of the agreement should be so explicit as to make certain there will be no disagreement hereafter as to the attitude of the Soviet Government. We feel that the only compensatory advantage which the Chinese Government is being given in return for the concessions which it is asked to make is an unequivocal commitment on the part of the Soviet Government to withhold support from dissident elements within China.

2. We are perturbed over Soviet insistence that Dairen be included within the military zone and would suggest that Soong insist upon agreement stated in very precise terms with regard to the understanding that military authority in time of peace would not be exercised in the area.

3. Should the question of Inner Mongolia be further discussed you of course understand that under no circumstances could Inner Mongolia be construed as coming within the scope of the Yalta agreement.

4. With regard to joint ownership of port facilities we concur in your opinion that our interests would be adversely affected by such a concession and you are authorized to take such steps as you may deem appropriate to support Soong in his stand on the matter.

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<sup>20</sup> *Supra.*

5. On the matter of management of the railways we also concur in your opinion that the issue is not one of vital importance but we would be interested in learning whether Soong has at any time discussed with the Russians the matter of the gauge of the railways.

BYRNES

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740.00119 P.W./8-1345 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*<sup>21</sup>

Moscow, August 13, 1945—[8:40 a. m.]

[Received 10:10 a. m.]

M-25284. Upon receipt of White House message No. 328, August 12th [11], and since Soong and Molotov were to have further discussions yesterday, I addressed the following letter to Molotov dated August 12, sending a copy of it to Soong (In order to expedite this message and avoid necessity of paraphrasing, I am sending it by the Army channel.)

“Dr. Soong has informed me in general of the progress of his negotiations with Generalissimus Stalin and I have thus had an opportunity to inform my Government.

Without commenting at this time on the points remaining at issue, of which we are not fully informed in detail, I have been instructed to express to you my Government’s particular interest in the arrangements regarding Dairen. We understand that there has been a suggestion on the Soviet side for a joint ownership of the port facilities. My Government had directed me to bring to your attention the fact that it would consider such an arrangement as adversely affecting American interests in policies towards China and for this reason could not support it. As I have previously informed you, my Government would favor a lease of a certain section of the port required for Soviet traffic.

My Government earnestly hopes that its views on this matter will be taken fully into account by the Soviet and Chinese Governments.

I have brought the above to the attention of Dr. Soong.”

My reference in the last sentence is to a letter which I addressed to Molotov on August 9th as follows:

“I feel that it will be mutually beneficial if I reiterate in writing some of the salient points which I sought to convey to Generalissimus Stalin in my conversation yesterday evening.

In that conversation I transmitted President Truman’s assurances that he intended to continue support of the proposals agreed upon at Yalta. He believes, however, that the Chinese proposals as submitted by Dr. Soong meet the Yalta understanding.

As you know from conversations with the late President Roosevelt, American policy towards China, including Manchuria, stems from

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<sup>21</sup> A copy of this message was delivered to the White House.

a strong historical and popular attachment to the principles of Chinese territorial integrity and the open door. Because of this, President Truman hopes that the Soviet and Chinese Governments keep in mind during the course of their current negotiations these long-standing interests of the American people and Government. I recall in this connection that the Soviet Government has shared my Government's concern for the healthy development of China when on May 31, 1924, it concluded a treaty with the Chinese Government renouncing Czarist extra-territorial and other special privileges in China.

With regard to the proposed agreement between the Soviet and Chinese Governments respecting Port Arthur, my Government recognizes the mutual benefit which will accrue to the Soviet Union and China from the use of the base by Soviet forces for the purposes of mutual security and defense.

My Government believes that Dairen and the connecting land communications should not be included in the Soviet Military Zone. You will recall that the late President Roosevelt did not concur in the original Soviet suggestion that Dairen should be leased to the Soviet Union and maintained that it should be internationalized as a free port. He also recognized the present need of the Soviet Union for access to a warm water port for its commercial transit traffic and for that reason recognized that this preeminent interest of the Soviet Union should be safeguarded. Under these circumstances my Government favors the Chinese proposal that a certain section of the port be leased on a commercial basis to the Soviet Union to assure Soviet interests. On the other hand [my] Government, in view of our historic policy towards China, feels that the general management of the port should rest under Chinese control.

President Truman earnestly hopes that Generalissimus Stalin will not press for further concessions and in any event, because of his part in the initiation of the present discussions, he feels that he should be consulted with regard to any developments in the negotiations which might affect American interests or principles regarding China."

[HARRIMAN]

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761.93/8-1445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

Moscow, 14 August 1945.

[Received 14 August—12:42 p. m.]

141040. Soong came to agreement with Stalin last night on all outstanding points at issue. He outlined the agreement verbally as follows:

(1) Board of Directors of the railroads will be equally Chinese and Soviet but one of Chinese will be chairman and in case of a difference the chairman will have the deciding vote. In return for this Soong

has agreed that there should be a single Soviet manager of both railroads with a Chinese assistant manager. No Soviet guards are permitted on the railroads.

(2) In time of peace Soviet military will exercise no authority in city and port of Dairen including the connecting railway and roads. In the event of war the Soviet military will assume authority. The Chinese will administer the city of Dairen. There will be a master of the port who will be Soviet selected jointly by the Chinese Mayor of the city and the Soviet manager of the railways. Half of the port facilities will be leased to the Soviet Government at a nominal rental.

(3) Port Arthur will be a naval base officially for the joint use of the Soviet and Chinese navies but it is recognized that the Chinese will have little to say. There will be a Soviet-Chinese Military Commission to supervise the base and military zone consisting of three Russians and two Chinese with a Russian as Chairman. The Soviet Military Commander will control the Military Administration and the Chinese will have charge of Civil Administration subject to the Military Commander where military interests are involved. The military zone will extend north almost up to the line of the old Czarist lease except that military control will not be exercised in time of peace over the city and port of Dairen. The port of Dairen will not be used by the Soviet Navy nor will troops be stationed in the city area.

(4) Soviet Government agrees to give its moral, material and military support to China and solely to the Chinese National Government. I have not seen the exact language.

(5) Representative of the Chinese National Government will be allowed into Manchuria by the Red Army to establish civil administration and I understand Stalin has agreed to withdraw Soviet troops three months after cession [*cessation*] of hostilities.

(6) Independence of Outer Mongolia will be recognized by China after the plebiscite and the "existing" boundaries will subsequently be determined by a mixed Mongolian-Chinese Commission.

Soong is quite encouraged today because he feels that he has succeeded in obtaining Stalin's agreement to the basic principles that he was fighting for. He is also encouraged to feel that since Stalin has fought so hard over each point he intends to live up to the understandings reached. He is very grateful for our support and is convinced that unless we had taken an active part in the negotiations he would have had to concede to all Stalin's demands.

Since I have put Soong on notice that we were not supporting any Russian demands beyond the proposals he offered when he came to Moscow and since I do not see that our interests are adversely affected by the concession which he has made to lease half the port facilities to the Russians, I will interpose no further objection or comment unless instructed otherwise.

Soong is discussing with Molotov this morning the language of the assurances which the Soviet and Chinese Governments have agreed to give us that the Open Door policy will be respected. I have not

as yet seen the Soviet amendments to the draft which I submitted to Stalin. It is expected that all the agreements will be signed today and Soong intends to leave tomorrow morning August 15 for the United States.

Stalin explained to Soong last night that it is the practice of the Red Army to live off the country in which they are fighting. He did not wish to requisition food from Chinese territory and therefore asked whether the Chinese Government would furnish the Soviets with the necessary currency or whether they would agree to the Russians issuing their own currency, the retirement of which would be Chinese responsibility. Soong argued that the American Army paid for supplies for its troops and asked that the Soviet Government do the same since China was a poor country. Stalin rejoined, "Russia is a poor country too." Soong tells me that he will agree to Stalin's second proposal and hopes that the Japanese can be forced to bear the cost of retiring this military currency.

The subject of war "trophies" has not been raised again and Soong feels that it should be left for Allied consideration at the termination of the war rather than dealt with in his present bilateral negotiations.

[HARRIMAN]

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761.93/8-1445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to  
President Truman and the Secretary of State*

[Moscow,] 14 August 1945.

[Received August 14—8:02 p. m.]

141845. Molotov asked me to call this afternoon. He explained in general terms the agreements reached with the Chinese which confirmed what Soong had told me as reported in preceding telegrams. It seems however that only the railroad to Dairen, and not the roads, is specifically excluded from military control. Soong has confirmed this but considers it is not important.

Molotov and Soong have told me that the agreements would not be published until they have been ratified by the Chinese Government which should take place in 10 or 12 days.

I sought his opinion as to the future relationship between the National Government and the Chinese Communists. He replied that the National Government should meet the Communists half way and deal with the question on a democratic basis. He said that the Soviet Government was anxious to see a united China and avoidance of civil strife.

I inquired as to the present status of the proposed statement on the Open Door policy<sup>22</sup> which [I] had left with Stalin on August 8 (Navy cable 082330<sup>22a</sup>). Molotov stated that the Soviet Government considered that "the agreements with the Chinese had disposed of the statement since all outstanding Chinese questions had been settled". He added that Stalin did not believe that there was now any need for the statement especially as he had given his assurances that the Open Door policy would be maintained. I explained at some length that the President, although satisfied with Stalin's verbal assurances, was anxious to have a written statement to this effect which could be published since he felt sure that there would be public discussion and speculation regarding Soviet attitude on this matter. Such a statement would allay speculation and adverse comment which would be in our mutual interests. Molotov maintained however that there was no need for a statement since: (1) the agreements would make it clear that no restrictions would be imposed on foreign commerce, (2) Soviet policy as orally set forth by Stalin would remain unchanged, and (3) no such statement had been foreseen at Yalta. I suggested that we either work out a formula covering an exchange of notes on the question or that I write a letter to him reiterating Stalin's verbal assurances to which the Soviet Government could reply.

I requested Molotov to inform Stalin of my Government's views on this matter, which he said he would do. In view of the strong stand taken by Molotov I doubt whether we will be able to obtain the written assurance unless strong pressure is exercised. I request instructions.

[HARRIMAN]

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761.93/8-1545 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 15, 1945—8 p. m.

[Received August 15—4:50 p. m.]

2918. Soong left Moscow this morning at 10 o'clock directly for Washington. All the agreements were signed last night.<sup>23</sup> Molotov was at the airfield with the guard of honor to see him off.

HARRIMAN

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<sup>22</sup> See annex to memorandum of July 28, p. 951.

<sup>22a</sup> Dated August 8, p. 965.

<sup>23</sup> For texts, see Department of State, *United States Relations With China*, (Washington, Government Printing Office, 1949), pp. 585 ff.



761.93/8-1545

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Secretary of State*<sup>24</sup>

[WASHINGTON,] August 15, 1945.

MR. SECRETARY: Soong should be in Washington on Friday, the 17th, or shortly thereafter. He will no doubt wish to have a talk with the President and you as soon as possible.<sup>25</sup>

Soong will of course report on his recent negotiations with Stalin. You may wish to point out to him, not as a matter for criticism but as a matter of fact, wherein the Moscow agreement is believed by us to go beyond the Yalta commitments. For example: the provision for leasing half of Dairen port facilities to the Soviet and for a Russian port master at Dairen are not in accord with our interpretation of what was intended in the Yalta commitment for an internationalized free port; and the provision for a military zone, in connection with the naval base at Port Arthur, extending almost to the boundaries of the former Russian leased territory on the Liaotung peninsula, is at variance with the spirit and letter of the Yalta commitment in that it reestablishes in fact, if not in name, the old Russian leasehold which President Roosevelt is understood to have opposed at Yalta.

With regard to the period of the Moscow agreement, it might be mentioned to Soong that 15 or 20 years would have been more in conformity with the spirit of the Yalta commitments than the agreed period of 30 years and would have brought the agreement in line with the U.S.S.R.'s mutual aid agreements with the United Kingdom and France. Furthermore, it will be recalled that the Soviet Union is committed in its 1924 treaty with China to return the Russian built railroads in Manchuria to China free of charge in 1963-64.

Soong should be made aware in unequivocal terms of our concern regarding the threat of civil war in China. Our concern can be related to the reported provision in the Moscow agreement regarding the Soviet Union's undertaking to give moral and material support solely to the Chinese National Government. You may wish to point out to Soong that the Russian commitment in no sense lessens the Chinese Government's responsibility to exercise restraint in dealing with the Chinese Communists and to seek a solution of its internal political difficulties through peaceful means, or its responsibility to liberalize internal political administration and effect needed reforms. The Communist movement in China derives its strength from the Chinese peoples' dissatisfaction in general with the illiberal and unpro-

<sup>24</sup> Drafted by the Chief of the Division of Chinese Affairs (Vincent).

<sup>25</sup> No record found in Department files of such conversations with Dr. Soong while he was in Washington.

gressive administration of the National Government and in particular with the Government's failure to alleviate agrarian distress. The only practical manner in which to meet the challenge of the Communists is through progressive reforms—not suppression by force of arms.

We desire close political and economic collaboration with the Chinese Government—with a Chinese Government which has a strong appeal to the democratically-minded people of the United States. We will exert every effort to prevent developments in China from becoming a source of irritation in our relations with the U. S. S. R. and we hope to have the cooperation of the Chinese Government in this connection.

Soong will unquestionably also wish to discuss matters connected with the financing of China's economic reconstruction. It is suggested that he be referred to Secretaries Vinson and Wallace.<sup>26</sup> In as much as he will be visiting London he can also arrange to discuss these matters there with Assistant Secretary Clayton.<sup>27</sup> You may wish to inform Soong in general terms of our sincere concern that China adopt liberal measures and pursue a cooperative course with respect to American and foreign commerce with China and business activity in China, and that in the matter of economic reconstruction, the basic problem of agrarian reform should receive active attention. Specifically, we are interested in the adoption by China of business laws and regulations and investment policies which will encourage rather than stifle commercial relations between American and Chinese nationals.

J[OSEPH] W. B[ALLANTINE]

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761.93/8-1745

*The Soviet Embassy to the Department of State*<sup>28</sup>

The Soviet Government has instructed me to inform you that the negotiations which took place in Moscow in the period from June 30 until July 14 between the representative of the Executive Yuan of the Chinese Republic, Dr. T. V. Soong on the one hand and Generalissimo J. V. Stalin and People's Commissar for Foreign Affairs of the USSR V. M. Molotov on the other, and continued after the end of the Berlin Conference, from August 7 until August 14 with the participation on the Chinese side also of the Minister for Foreign Affairs Wang Shih Chieh culminated in signing on August 14 of the Chinese-Soviet treaty of friendship and alliance and a number of agreements the contents of which corresponds to the agreement reached at the Crimea

<sup>26</sup> Fred M. Vinson, Secretary of the Treasury, and Henry A. Wallace, Secretary of Commerce.

<sup>27</sup> William L. Clayton, Assistant Secretary of State for Economic Affairs.

<sup>28</sup> Handed to the Secretary of State by the Soviet Chargé on August 17.

Conference in the negotiations between President Roosevelt, Prime-Minister W. Churchill and Premier J. V. Stalin.

The treaty of friendship and alliance provides the cooperation of the Soviet Union and China in the war against Japan and also the post-war cooperation so as to make impossible any repetition of aggression and violation of peace by Japan.

The agreement on the Chinese Eastern Railway and the Southern Manchurian Railway provides for the common ownership by the Soviet Union and China of these railways, united into one railway under the name of "The Chinese Changchun Railway" and mutual exploitation of this railway in the course of 30 years after which period the latter will gratis become the full property of China. Other agreements—about Port-Arthur and Dalny—provided for the mutual use by the Soviet Union and China of Port-Arthur as a naval base and the use by the Soviet Union under the rights of lease of a part of facilities and equipment of the port Dalny, which in accordance with the agreement, is proclaimed a free port, being provided that the administrator of the port Dalny is appointed by the manager of the Chinese Changchun railway from among Soviet citizens in agreement with the mayor of the city Dalny.

In the document about the Mongolian People's Republic the Chinese Government has stated that, in view of the repeatedly expressed by the people of Outer Mongolia desire for independence, after the defeat of Japan, if the plebiscite of the people of Outer Mongolia will confirm this desire, the Chinese Government will recognize the independence of Outer Mongolia within her existing borders.

There was also signed an agreement about the relations between the Soviet Supreme Commander and the Chinese Administration after the entry of Soviet troops into Manchuria in connection with the common war against Japan. Under this agreement for the returned Manchurian territory will be appointed a representative of the National Government of China and a staff which will set up and direct, in accordance with the laws of China, the Administration on the territory cleared of the enemy. Besides, there will be established a Chinese military mission at the staff of the Soviet Supreme Command in Manchuria, which will provide consultation between the Soviet Supreme Command and the representative of the National Government of the Chinese Republic.

In the course of the negotiations the Soviet side gave assurances to China that the USSR will respect the sovereignty of China over Manchuria, will render moral support and aid to the Central Government of China and will not interfere in her internal affairs.

The treaty and agreements are signed for the period of 30 years and will be published in the nearest future after their ratification.

761.93/8-2145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 21, 1945—10 a. m.  
[Received 3 : 29 p. m.]

1417. Dr. Wang Shih-chieh, Minister for Foreign Affairs, has returned from Moscow. I had a long conference with him today. The Sino-Soviet treaty is officially written in the Russian and Chinese languages. The Foreign Minister had a rough draft in English which he permitted me to read, but said that he did not wish to make it public until it has been checked and if necessary corrected. He also showed me the letters exchanged between the Soviet and Chinese Governments on all the questions not specifically covered in detail in the treaty. I will not attempt to give you any detailed report as Dr. Soong is now in Washington and from him you can obtain a report at first hand. The Foreign Minister expressed himself as being satisfied with the results and said that proceedings would commence at once for the approval of the treaty and the notes exchanged between the Soviet and Chinese Governments. He felt certain that all of the documents will receive approval within the ensuing 10 days.

HURLEY

761.93/8-2145 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union (Harriman)*

WASHINGTON, August 21, 1945—8 p. m.

1880. With reference to your telegrams concerning the Stalin-Soong discussions, I would appreciate receiving whatever information you may have with regard to the progress that was made in the discussion relative to assurances which the Soviet and Chinese Governments agreed to give us that the Open Door policy will be respected.

BYRNES

761.93/8-2245 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 22, 1945—8 a. m.  
[Received August 22—6 : 40 a. m.]

3001. I reported my conversation with Molotov in a message to the Secretary via Navy channels August 14<sup>28a</sup> in which Molotov stated that Stalin did not now consider, for the reasons given in my mes-

<sup>28a</sup> Telegram No. 141845, p. 973.

sage, that there was any need for the Soviet Government to give written confirmation of his verbal assurances to support the Open Door policy, and I requested instructions. As I received no reply to this message, I telegraphed again yesterday<sup>29</sup> via Navy channel asking what decision had been reached. I have had no further discussions with Molotov on this subject.

HARRIMAN

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761.93/8-2245 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

[Moscow, August 22, 1945.]

[221048.] I would appreciate being informed as to the decision regarding communication we requested from Soviets in some revised form that Open Door policy would be supported in Manchuria, re my Navy message No. 141845,<sup>30</sup> or whether considering the improvement in arrangements for port and railroads it has been decided that communication referred to is no longer needed and that repeated verbal assurances are sufficient. In latter case the President might wish to mention these verbal assurances at a press conference at time of publication so [of] Sino-Soviet agreements. This is message referred to in Embassy cable to Dept my 3001 of August 22.

[HARRIMAN]

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761.93/8-2245 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union (Harriman)*

WASHINGTON, August 22, 1945—7 p. m.

1892. 1. The President desires that you arrange to see Stalin or, if this proves impracticable, Molotov, as soon as possible and present to him our views as given below regarding issuance of statement affirming respect for open door policy in connection with the Soong-Stalin agreements (reurtel 3001, August 22, 8 a. m.):

2. The oral assurances given by Stalin, as you have indicated to Molotov, are satisfactory to the President. However, you should explain clearly and forcefully the situation in this country where public opinion and public reaction to events of concern to the United States have great weight and where the public expects and is entitled to be given as full a knowledge as practicable on foreign affairs which

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<sup>29</sup> *Infra.*

<sup>30</sup> Dated, August 14, p. 973.

may affect the interests of this country. It follows, therefore, that oral assurances by Stalin do not meet the situation. You may also emphasize the deep interest which the American public has in Far Eastern events and particularly in developments pertaining to China, including Manchuria. In reply to Molotov's assertion that the agreements would make it clear that no restriction would be imposed on foreign commerce, you may state that insofar as the agreements might fail to give assurances regarding full equality of opportunity and freedom from any form of discrimination they would fall short of what we would consider satisfactory. In reply to his point that no such statement had been foreseen at Yalta, you may say that we do not consider it reasonable that, simply because at Yalta the desirability of such assurances was not mentioned, we are therefore not entitled to request these assurances.

3. With regard to the manner in which Stalin's assurances might be given public form, we suggest and would prefer that the Soviet and Chinese Governments issue a statement, at the time of the publication of the agreements, affirming adherence to the policy of the open door, equality of opportunity and non-discrimination in matters related to the management and operations of the railways and the free port of Dairen. We do not insist upon the particular language of the suggested statement as communicated by you to Stalin, but we do feel that any statement issued should give in clear and unequivocal terms the assurances we have requested and which Stalin had agreed to give.

4. We understand that the Chinese are prepared to issue such a statement and you are authorized to urge on Stalin the desirability of a similar statement by the Soviet Government.

5. We have noted the two formulae which you suggest but prefer, at least for the present, to press for a statement as described in Paragraph 3, without making mention of the formulae you suggest. For your own information we prefer your suggestion of an exchange of letters between you and Molotov to an exchange of notes between the two Governments.

6. I ask that you send future telegrams for my attention through usual channels directly to the Department.

BYRNES

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761.93/8-2445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 24, 1945—noon.  
[Received August 24—7: 50 a. m.]

3033. Immediately upon receipt of your message I asked to see Stalin either last night or today (reference Department's 1892, August

22, 7 p. m.) If the meeting with Stalin is not arranged today I will see Molotov. I am not hopeful, however, of obtaining Molotov's agreement since in my last conversation with him I advanced all of the reasons and arguments for the Soviet Govt to reaffirm publicly Stalin's verbal assurances to support the open door policy. In this discussion it was clear Molotov was acting on instructions and could not deviate from them. I therefore feel we have a much better chance of obtaining such a statement if I am able to present the matter direct to Stalin.

HARRIMAN

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761.93/8-2745

*Press Release Issued by the Department of State on August 27, 1945*

No. 637. In response to requests for comment from press and radio news correspondents, Secretary of State James F. Byrnes said today:

"I believe that the new treaty between the National Government of the Republic of China and the Government of the Union of Soviet Socialist Republics and the accompanying agreements constitute an important step forward in the relations between China and the Soviet Union. We were kept informed of the progress of the deliberations in Moscow and we welcome this development as a practical example of the continuing unity and mutual helpfulness which should characterize the acts of members of the United Nations in peace as well as in war."

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761.93/8-2745: Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 27, 1945—11 p. m.

[Received August 27—8 p. m.]

3077. In conversation with Stalin this evening he agreed that the Soviet Government would make a public statement expressing support in China, including Manchuria, of the Open Door policy, equal opportunity for trade and commerce and freedom of discrimination for all friendly countries (re Department's 1892, August 22). He said that he would prepare the statement and submit it to me. The above was based on my assurance that the Chinese Government would make a similar statement. He said that the Soviet statement should be coordinated with Chungking. I will telegraph the text when I receive it.

Repeated to Chungking as No. 134, September 1, noon.

HARRIMAN

793.003/9-145 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, September 1, 1945—11 a. m.  
 [Received September 1—7:20 a. m.]

3130. Late yesterday evening Kennan was called to Foreign Office by Chief of American Section who referred to my recent conversation with Stalin concerning statement about Open Door Policy (sent Dept as 3130, repeated Chungking for Ambassador as 133; reference Embassy's 3077, August 27, 11 p. m.) and inquired when the Chinese Govt would issue its statement and what would be the text. He asked whether, if we could not supply this information, Soviet Govt might approach Chinese Govt directly in the matter.

On my authority Kennan replied as follows: (a) that it had been suggested to Soong as it had to Stalin that statement be issued by both Russian and Chinese Govts and that Soong had indicated assent to this proposal, (b) that no definite text had been discussed with Chinese (Kennan explained that only text we had presented to Chinese was that which I had presented to Stalin on August 8 and which was predicated on assumption that expression of adherence to Open Door Policy would take form of joint communication to our Govt but that since then we had proposed a simple statement to be issued by both Govts so that original text was no longer matter of discussion) and (c) that it would seem entirely appropriate for them to discuss this matter with Chinese Govt if they so wished.

Since Foreign Office official seemed to have impression proposed statement would relate to China in general, Kennan emphasized that it was Manchuria we had particularly in mind since the statement was meant to be in connection with recent Russo-Chinese agreement dealing with Manchuria.

HARRIMAN

761.93/9-445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, September 4, 1945—9 a. m.  
 [Received September 4—8:25 a. m.]

3157. Character of American press comment on Chinese-Russian pact leads us to feel that there are certain points on which American press, at any rate, is entertaining misconceptions. With this in mind, the following comments may be useful (sent to Department as 3157; repeated Chungking as 143):



1. Soviet Union did not require pact for achievement of any of immediate objectives now being attained by Red Army advance. These objectives, including military occupation of Manchuria and of Liaotung Peninsula, obviously could and would have been achieved regardless of existence of pact. For Soviet Government, pact has advantage of lending legality to situations which might otherwise have led later to undesirable disputes and complaints against Soviet Union.

2. "Independence" of Outer Mongolia will, of course, change nothing in internal regime of that area. Its effect will be to eliminate Outer Mongolia as a possible source of future Chinese irredentism and to increase its usefulness as a disguised weapon for bringing under Soviet influence further adjacent territories.

3. There should be no illusions as to effect of agreements with respect to Manchuria. Soviet readiness to admit Chinese to civil affairs control and to withdraw Soviet forces does indeed reflect mature statesmanship on the part of Stalin and his Moscow advisers. But initial Soviet position as occupying power, together with greater proximity and far greater scope and discipline of Soviet power, should make it easy for Russians, even after Soviet forces have withdrawn, to remain masters of situation in all essential respects. It was tacitly understood by both parties to Moscow negotiations that Chinese officials in Manchuria would have to be, in the main, ones amenable to Russian influence. Yen'an forces, according to Yen'an broadcasts, have already been ordered to enter Manchuria and accept Japanese surrender there in cooperation with Red Army. Soviet authorities, and elements friendly to Soviet Union, may be expected to encourage the use of members of these Communist-trained forces in playing prominent part in civil and military administration of Manchuria after Red Army has gone. In addition to this, it must be realized that local Soviet authorities, particularly those connected with the secret police, do not always show the same restraint with respect to the internal affairs of neighboring countries as is evidenced by the Kremlin itself.

4. Assurances of Soviet Govt that it will support Chinese Govt and not interfere in Chinese internal affairs constitute reaffirmation of a state of affairs which has existed for some years. If Kremlin has exerted control over Yen'an, it has probably been through the party apparatus and not through govt channels. And if Kremlin influences Yen'an now and in future, it will be through the Party.

While Soviet Govt assurances to Chinese Govt undoubtedly prejudice Yen'an's ability to bargain on basis of implied Soviet military support, at same time they (a) dispel to considerable extent general suspicion of Soviet intentions in China and so disarm average critics

of Soviet role there; (b) remove any excuse for a Chungking-American crusade against Yen-an as a spear head of Soviet penetration of China; and (c) place Soviet Govt policy in China on a disinterested and high moral plane. Meanwhile Communist party in USSR through its agencies in Soviet Union and elsewhere can continue to give quiet but effective support to Yen-an's program of "democratization" and to exert political pressure on Chungking to compromise with Yen-an.

5. Outward Soviet moderation with respect to Manchuria should not lead to any misunderstanding of Soviet intentions with respect to Korea and Japan proper. It is natural tendency, if not a deliberately conceived policy, for Soviets to endeavor to obtain maximum internal influence in such nearby areas through judicious use of persons trained to share their ideology and to accept their discipline. These Korean forces formerly fighting with Chinese Communists have now, according to Yen-an radio, already been ordered into Manchuria; and in Soviet-occupied zone of Korea, Communist-trained Korean elements are obviously being entrusted with responsibility for civil affairs.

HARRIMAN

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761.93/9-1245 : Telegram

*The United States Political Adviser on German Affairs at Supreme Headquarters, Allied Expeditionary Force (Murphy) to the Secretary of State*

FRANKFURT, September 12, 1945—6 p. m.  
[Received September 12—5 : 45 p. m.]

21. Sent to London for the Secretary from Harriman, repeated to Dept for the Acting Secretary as No. 21 from Frankfurt, to Chungking for the Ambassador and to Moscow for Kennan. Chinese Ambassador tells me Vyshinski<sup>31</sup> discussed with him some days ago question of proposed statement by Chinese and Soviet Governments supporting Open Door Policy including Manchuria. Vyshinski asked for a draft of proposed statement by Chinese Govt. Chinese Ambassador told me further that Dr. Soong was most anxious to have the statements issued but that when he informed Chungking of Vyshinski request he received a reply that they had not given matter detailed consideration and were referring it to Dr. Wang in London to discuss with Molotov and yourself. I personally have heard nothing further about it from Soviet Foreign Office.

MURPHY

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<sup>31</sup> Andrey Yanuaryevich Vyshinsky, Soviet Assistant Commissar for Foreign Affairs.

761.93/9-2045

*Memorandum by the Ambassador in the Soviet Union (Harriman)  
to the Secretary of State*<sup>32</sup>

LONDON, September 20, 1945.

Subject: Proposed statement by Soviet and Chinese Governments supporting the "Open Door" Policy in China including Manchuria

Generalissimus Stalin has agreed that the Soviet Government should make such a public statement and would submit it to us before publication. The subject is under consideration by both Governments and I understand it has been suggested that Dr. Wang discuss the matter with Mr. Molotov while in London.

As I understand we are much interested in securing this proposed statement, you may wish to discuss the matter yourself with Dr. Wang and Mr. Molotov before your departure.<sup>33</sup>

W. A. HARRIMAN

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## II. CONTINUED REVOLTS AND UNREST IN SINKIANG PROVINCE; EFFORTS TO BRING ABOUT A SETTLEMENT OF ISSUES<sup>34</sup>

761.93/1-245 : Telegram

*The Appointed Ambassador in China (Hurley) to the Secretary  
of State*

CHUNGKING, January 2, 1945—2 p. m.

[Received January 2—12: 13 p. m.]

1. Consul [at] Tihwa<sup>35</sup> reports as follows:

1. According to Soviet consular officials, Tihwa-Sinkiang military situation continues to deteriorate; interruption of gasoline truck service from Horgos is forcing suspension of Hami-Alma-Ata air line.

2. General Chu<sup>36</sup> reports no substantial improvement in Ining fighting; Chinese are making no attempt to retake Ining or Hsin Erhtai which is still held by insurgents; although Suiting and Huiyuan remain in Chinese hands, latter is now under attack by insurgents. Chinese defenders of Ining airfield are being supplied by parachute. Chu appears convinced insurgents at Ining are obtaining Soviet ammunition by truck from Horgos; he states agitation is continuing for "East Asia Turki republic".

<sup>32</sup> Mr. Byrnes was attending the conference of Foreign Ministers at London.

<sup>33</sup> No further report of discussion of this proposed statement has been found in Department files.

<sup>34</sup> For previous documentation regarding Sinkiang, see *Foreign Relations*, 1944, vol. vi, pp. 758-823, *passim*.

<sup>35</sup> Robert S. Ward.

<sup>36</sup> Gen. Chu Shao-liang, Chinese Commander in Chief of the 8th War Area, with headquarters at Lanchow.

3. Liu Tse-yung, Minister-Counselor of Chinese Embassy, Moscow (Moscow's 4716, December 9 to Department<sup>37</sup>), arrived Tihwa December 20 for temporary duty as Commissioner for Foreign Affairs; his predecessor, Chaucer Wu, left for Chungking same day. Liu, who since arrival has been active in attempting to effect *rapprochement* with local Soviets, has now been ordered to proceed urgently to Chungking.

HURLEY

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893.00/1-645

*The Appointed Ambassador in China (Hurley) to the Secretary of State*

No. 58

CHUNGKING, January 6, 1945.

[Received January 24.]

SIR: I have the honor to report the receipt of telegram no. 182, December 12, 1 p. m., from Mr. O. Edmund Clubb, American Consul General at Vladivostok, transmitted through the Embassy at Moscow as its telegram no. 7, December 14, 8 p. m.,<sup>38</sup> suggesting that in view of recent changes in the personnel of the Chinese Government at Chungking, the replacement of General Sheng Shih-tsai as Chairman of the Sinkiang Provincial Government, and the detail to Tihwa as Commissioner for Foreign Affairs of Mr. Liu Tse-yung, Minister-Counselor of the Chinese Embassy at Moscow, the Department might consider it feasible and salutary to recommend to the Chinese Government a general amnesty for the political prisoners detained by General Sheng during his incumbency in office in Sinkiang, at least so far as a review of their cases would seem to warrant. Mr. Clubb suggested that any such approach might be made on the basis that the release of these unfortunates would probably be appreciated by the world at large as a generous gesture on the part of the Chinese Government.

The revolting and inhuman treatment of the political prisoners of General Sheng in Sinkiang, many of whom apparently have been incarcerated with little or no semblance of a fair trial, has been described in the Embassy's despatch no. 1966, dated December 27, 1943,<sup>39</sup> and mentioned in despatch no. 23, dated October 10, 1944, addressed to the Department by the Consul at Tihwa.<sup>40</sup> That the Chinese Government itself is not unaware of the situation is indicated by the fact that a commission for the investigation of political prisoners, headed by Dr. Lo Chia-lun, a member of the Central Executive Com-

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<sup>37</sup> Not printed.

<sup>38</sup> Neither found in Department files.

<sup>39</sup> *Foreign Relations*, 1943, China, p. 395.

<sup>40</sup> *Ibid.*, 1944, vol. VI, p. 815.

mittee of the Kuomintang, was sent to Tihwa in November, 1944. General Chu Shao-liang, Commander of the Eighth War Area and formerly Acting Chairman of Sinkiang, informed an American naval officer in December that six hundred prisoners had already been released, but that perhaps a thousand more, including by implication political prisoners, still remained in custody. The American officer is inclined to the belief that this estimate is entirely too low; he states that in his opinion the number of political prisoners in Sinkiang is more than ten thousand, although one of his informants offered the fantastic figure of forty-five thousand. He has been informed that the five alien members of the staff of the American Consulate at Tihwa have, or have had, six near relatives in prison. Of interest in this connection is a newspaper report in the December 15, 1944 issue of the Chungking *Ta Kung Pao* which stated that the former Commissioner of Reconstruction in the Sinkiang Provincial Government under General Sheng, Mr. Lin Chi-iung, had been released on bail and was awaiting trial; it was added that a letter had been received in Chungking from Mr. Lin to the effect that, although his body wounds had in general healed, his teeth had been knocked out and his jaw dislocated, and he was now recuperating gradually.

Although the Embassy hesitates to make any representations to the Chinese Government, especially at this time, which might be interpreted by it as interfering in China's domestic affairs, a tactful and informal approach might help the Chinese authorities now in Tihwa to effect an amelioration of the situation. The Department may therefore care to consider the advisability of authorizing the Embassy to approach the Ministry of Foreign Affairs in the matter, perhaps along the lines suggested by Mr. Clubb.

Respectfully yours,

For the appointed Ambassador:  
 GEORGE ATCHESON, JR.  
*Counselor of Embassy*

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761.93/1-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 11, 1945—1 a. m.

[Received 9:36 a. m.]

41. Consul [at] Tihwa reports following: Liu Tse-yung left Tihwa for Chungking by car January 5 (ReEmbs 1, January 2). He informed Ward before departure that while it was almost universally believed Ining insurrection incited and directed by Soviets, he finds charge difficult to believe, for in so doing Soviets would only weaken their own position. Liu said he found it difficult even to talk to local

Soviet officials as he knew he was alone in his opinion and was speaking without authority.

Soviet Consul General expressed doubt that Liu could accomplish much due to his difficult position. He complained bitterly to Ward that Chinese lacked sincerity and were gratuitously impeding activities of Soviet officials in Tihwa.

HURLEY

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893.00/10-1044

*Memorandum by Mr. Horace H. Smith*<sup>41</sup>

[WASHINGTON,] January 11, 1945.

Reference Tihwa's despatch No. 23 of October 10, 1944<sup>42</sup> summarizing events leading to the replacement of Sheng Shih-ts'ai as chairman of the Sinkiang Provincial Government.

The emphasis placed upon the machinations of Sheng Shih-ts'ai might call for a reconsideration of the position taken with regard to possible Soviet Policy in my despatch, No. 11 of July 19, 1944,<sup>43</sup> but I believe that the new information merely tends to weaken the probability and not to alter the possibility that Soviet agencies are inspiring and backing the insurrection in Sinkiang.

A revaluation of the information available regarding the situation in Sinkiang following the replacement of Sheng Shih-ts'ai by Wu Chung-hsin and Chu Shao-liang tends to cast doubt on the reliability of certain information earlier volunteered by Special Commissioner Wu, and Dr. Lo Chia-lun on the basis of reports said to have been supplied to them and to Generalissimo Chiang Kai-shek by Sheng Shih-ts'ai.

There has been no direct proof of any of the allegations made by Sheng Shih-ts'ai of clashes with Soviet Border Guards supporting Kazaks running stock across the border from Sinkiang or running arms across the border from Russia. However, Tatar and other non-Chinese evidence appears to support the contention of Special Commissioner Wu that the Kazak bands are well armed and using Russian type rifles and machine guns and trench mortars. Being unable to check personally on Wu's stories of almost open Soviet aid to the Kazaks, the fact that Wu and Lo accepted these reports as correct and passed them on orally but officially with assurances that they themselves were checking on each case and that they were fully satisfied with the reliability of these reports, was, and is still taken as sufficient

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<sup>41</sup> Recently Consul at Tihwa; appointed January 9, 1945, as Second Secretary of Embassy in the Soviet Union.

<sup>42</sup> *Foreign Relations, 1944*, vol. VI, p. 815.

<sup>43</sup> *Ibid.*, p. 807.

reason to consider their implications and to report them with due qualification to the Department.

As pointed out in my despatch No. 23 referred to above, it no longer appears impossible that the alleged Communist plots used by Sheng to explain his numerous arrests of local officials in April, May, June and July and his arrests in August of Chungking appointees in the Sinkiang Provincial Government could have been purely the product of Sheng's own imagination, supported by "confessions" and "evidence" obtained under extreme torture, to cover the liquidation of all embarrassing witnesses against Sheng and his principal henchmen before their departure for Chungking.

On the other hand the Kazak raids and the insurrection at Ining did occur as reported and nothing else has occurred, since the submission of my despatch No. 11 of July 19, 1944 entitled "Soviet policy in Sinkiang possibly works toward the creation of a group of semi-autonomous states", to indicate that it is impossible that the summary of the Soviet position, made on the basis of Chinese reports and the absence of any controverting evidence does not still hold as a possible explanation of Soviet action in Sinkiang during the past few months. It is still quite possible that there was some foundation to the reports of plots made by Sheng.

To review briefly a few outstanding points:

1. During my farewell call on November 13, 1944, I saw on the wall in the Soviet Consul General's office a large map upon which the boundary of Outer Mongolia and Sinkiang as printed on all modern Chinese maps has been rather carelessly erased and a new boundary line, according to the Soviet-Mongol placement of last spring, strongly inked in. The Soviet stand as expressed in the Tass Urga News release of April 1, 1944 aggressively supported this new boundary line giving the Mongols control over 80,000 additional square kilometers of rich Sinkiang territory.

2. There are a number of boundary areas subject to potential dispute and the Chinese Central Government, according to Special Commissioner Wu, is greatly concerned over these potentialities and is secretly surveying the areas concerned.

3. There is Tatar and other non-Chinese evidence that the agitators and leaders with the Kazak raiding parties are in many cases either Soviet citizens or Sinkiang residents who have for many years been given sanctuary in Soviet Russia. The size of the Tatar raiding parties, armed with rifles and ammunition that could have come from nowhere other than Soviet Russia, and their daring in raiding to within five miles of the Provincial capital and the rapid spread of their uprising from the Altai into the Tacheng and Ining areas appears to indicate that they probably have Soviet support.

4. The revolt of 1,000 Tatars and White Russians, living in and around Ining, on November 7, 1944 could hardly have taken place without Soviet arms and promises of support. Chinese reports to Consul Robert S. Ward forecast the formation of an East Asia

Turki Republic (See Chungking's telegram No. 1 of January 2, 2 p. m.)

5. The cynicism that Soviet consular officers in Tihwa expressed over any major change in Chinese policy toward Soviet Russia in Sinkiang resulting from Sheng's removal appears to have been warranted if the mass arrest of the first 300 clients of the Soviet Bookstore after the reapproachment may be taken as a sample of the "new" policy in practice. The new regime may be less openly anti-Soviet but the result is much the same.

6. Soviet Russia's general policy of attempting to ensure that all bordering states are under "friendly" governments is well known. The strategic value of the superbly defensible Eastern border of Sinkiang as compared to the relatively indefensible border on the West and the oil, gold, tungsten and animal products of Sinkiang are factors to remember.

*Comment:* So, while I have come to believe as indicated in my despatch No. 23, referred to above, that the reported plots against Sheng may not have existed at all and may have been only a card played by Sheng in his maneuvering for a safe way out, it is still quite possible that such plots did exist in part. The whole situation was in a state of flux and until a week after Sheng landed in Chungking to take up his new post it was never certain what the outcome would be. It is no clearer today what the outcome will be of Soviet and Chinese jockeying for position and influence in Sinkiang. The Chinese want to hold on at all costs and it appears likely that the Soviets would like to see Sinkiang fall back into their control or area of influence for the least cost.

What the Chinese and the Soviet Russians actually intend to do in or with Sinkiang and what each believes the other intends to do there can only be guessed. Nevertheless, it is obvious that despite the removal of Sheng Shih-ts'ai a serious insurrection is now going on in Sinkiang and it seems possible to me that the second step forecast in my despatch No. 11 of July 19, 1944 may now be being carried through. If this is true, however, it would not appear that the Chinese have made any large scale effort to correct the faults of their own administration which have made it so desperately unpopular with the native populace and with Soviet Russia.

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893.00/1-1545

*The Consul at Tihwa (Ward) to the Secretary of State* <sup>44</sup>

No. 4

TIHWA, January 15, 1945.

[Received May 2.]

SIR: I have the honor to refer to this Consulate's despatch no. 3, dated December 15, 1944, on the subject of the "Basic Factors in the

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<sup>44</sup> Approved by the Embassy in China for transmission to the Department.



Sinkiang Situation",<sup>45</sup> and, further in that general connection, to submit a brief outline of the history of the Province of Sinkiang.

[Here follows historical survey.]

### III. *Conclusions.*

If the brief historical synopsis given in I above is reasonably accurate, it would appear permissible to conclude that:

*a.* The present theoretical basis of Chinese rule, i. e., that the peoples of the area were originally "one race" with the Chinese, and that their language is from the same roots,\* is not historically tenable;

*b.* The assertion that "Sinkiang has been Chinese for two thousand years" which is not infrequently made, has never been, and is not now, true in a racial, linguistic, or cultural sense; it has been true in a political sense for less than a quarter of that time;

*c.* The contention, advanced repeatedly by ranking local officials, that the "natives" are a meek people, who would not revolt unless instigated to do so by some agency outside the Province, is not supported by the history of the region;

*d.* The area has never been an integrated, unified, independent state, but has always been either (1) divided into a number of small independent city-states; (2) divided between two or more powerful empires whose borders extended far beyond those of their respective domains in what is now Sinkiang; or (3) controlled by China;

*e.* Chinese control has been effective during periods of great vitality or national resurgence in China, but only during such periods;

*f.* It has been repeatedly overthrown, frequently by revolts characterized by massacres of Chinese;

*g.* At its peaks of stability, Chinese rule appears to have been characterized by a parallel administration (not too dissimilar to that employed by the Manchus in China) under which ultimate power was disposed of by a Chinese (usually military) governor, while the actual administrative authority was to a large extent left in the hands of the natives of the particular locality;

*h.* The control of the Kansu corridor is essential to continued Chinese control of Sinkiang.

The first three of these conclusions are for our purposes of only negative importance, in the sense that no government is acting realistically which posits vital claims on allegations which are demonstrably false (cf., Nazi claims of Aryan superiority).

Of much greater importance is the first of the remaining five: the absence of any sanction in history for an independent Sinkiang, the fact that the non-Chinese empires which at one time or another were sovereign in parts of the Province are no longer extant, taken together with the fact of recurrent Chinese control, afford an adequate historical justification for the present Chinese sovereignty in Sinkiang.

<sup>45</sup> *Foreign Relations*, 1944, vol. VI, p. 821.

\*This preachment is allegedly based on the 1st Chapter of "China's Destiny". [Footnote in the original.]

However, reasoning from *e*, *f*, and *g*, it appears clear that Chinese rule, which has historically been rejected by the natives of Sinkiang whenever they were strong enough successfully to do so, could be made acceptable to them only by an adaptation of the administrative forms which have proved more successful in the past. The failure to follow such a course would (if history is any guide) only lead to more, and more serious, revolts.

The last of the conclusions given is a warning that, whatever course is chosen, it cannot be selected or followed out as if Sinkiang were Szechwan, since if, for instance, a course were determined upon which was clearly inimical to Outer Mongolia, the latter could very readily avail itself of its excellent strategic situation to cut the Kansu corridor, whereafter the price of Sinkiang's recovery might well be war.

Respectfully yours,

ROBERT S. WARD

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740.0011 P.W./1-1745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 17, 1945—6 p. m.

[Received January 17—12:35 p. m.]

80. Consul [at] Tihwa reports following based on interviews January 12 with General Chu: Insurgents now number about 15,000; they show evidence of military training and are generously supplied with mortars, machine guns and ammunition. Situation of Chinese garrisoning in airfield desperate. Huiyuan fell to insurgents on December 25 and Suiting December 30. Chinese troops retiring to point on Horgos-Tihwa highway between Chingho and Hsin Erhtai.

HURLEY

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740.0011 PW/1-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 19, 1945—2 p. m.

[Received January 19—10:45 a. m.]

90. 1. Following from Consul [at] Tihwa: In continuation of interview of January 12 (ReEmbs 80, January 17), General Chu expressed belief that insurgency was Soviet inspired and directed, that the problem would shortly become as critical as that between Poland and Russia, and that USSR had determined that a government under its control must be established in Sinkiang; Chu said, however, that insurgent propaganda which continued to favor return of Turkestan to Moslem races was not communistic in character. (Chu's pessimistic views on military situation professedly shared by provincial chairman.

2. Consul states he believes Chu to be sincere in his opinions as above, i. e., that Chu's remarks to him were not made merely for

propaganda. Our usual informants among Chinese officials here seem in general either ignorant of developments in Sinkiang or have adopted an attitude of caution in discussing it and there has not been any accompanying wave of anti-Soviet propaganda such as accompanied the April 1944 situation.

HURLEY

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761.93/1-2045

*Memorandum of Conversation, by the Assistant Chief of the  
Division of Chinese Affairs (Meyer)*

[WASHINGTON,] January 20, 1945.

Dr. H. H. Fisher, professor of History at Stanford University and a specialist in Russian affairs, stated in a conversation which I had with him today that he had recently discussed the Sino-Russian controversy over Sinkiang with Mr. Rogov, the former T.A.S.S. representative in Chungking. Dr. Fisher stated that Mr. Rogov had told him that the Russian withdrawal of technical personnel from Sinkiang was not due to Chinese pressure nor to a relinquishment by Russia of her interest in Sinkiang; that the reason for the withdrawal was that they were needed elsewhere at that time. He said that Rogov had stated that the Soviets had every intention of some day returning to Sinkiang.

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893.00/1-645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 2, 1945—7 p. m.

181. The Department leaves to your discretion the matter of making an informal oral approach in regard to political prisoners in Sinkiang as described in your despatch no. 58 of January 6, but suggests that, if you decide to make the approach, you may wish first to obtain the latest information on the subject from our Consul at Tihwa.

GREW

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893.00/2-2045 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 20, 1945—5 p. m.

[Received February 20—2: 45 p. m.]

261. On February 16, General Hurley made informal oral approach to T. V. Soong in regard to the possibility of amnesty for political

prisoners in Sinkiang (ReDeptel 181, February 2); the following day Soong informed General Hurley that he had referred matter to Generalissimo.

ATCHESON

893.00/2-2145: Telegram

*The Chargé in China (Acheson) to the Secretary of State*<sup>46</sup>

CHUNGKING, February 21, 1945—4 p. m.

[Received February 21—11:10 a. m.]

271. 1. Following is a summary of Tihwa's despatch No. 7, February 7 to Department<sup>47</sup> going forward by pouch: In five-day battle between Ining insurgents and Chinese relief column numbering 5,000 troops, Chinese were defeated and forced to retire with remaining defenders of Ining air field to Chingho. Insurgents now attacking Erhtai. If this city falls, Chingho itself may be next objective. Insurgent regime at Ining said to be headed by triumvirate, including a White Russian, a Uigur and a Kazak. There are increasing indications that revolt is racial in character and directed against ruling Chinese minority. Feeling persists in Tihwa that revolt is Soviet inspired. In air base, continued success of rebellion may make Soviet involvement inevitable.

2. Liu Tse-yung (ReEmbstel 41, January 11) had confidentially informed officer of this Embassy that troops now available in Sinkiang are insufficiently strong to cope with insurgents: that although the rebellion may have received support from Kazakistan, especially from the younger Communist-trained elements, there is no evidence it was inspired by Moscow. He believes Soviets have no territorial ambitions in Sinkiang, but do desire the establishment in Tihwa of regime disposed to be friendly with USSR and are prepared to take concrete steps leading to resumption of trade with [apparent omission] some feels until or unless fundamental reforms beneficial to the indigenous population are effected unrest in Sinkiang will continue. He states, since arrival in Chungking several conferences on Sinkiang have been held and certain concessions have already been agreed upon, including admission of non-Chinese into provincial and district governments.

ATCHESON

<sup>46</sup> The text of this telegram was repeated to the Ambassador in the Soviet Union (Harriman) by the Acting Secretary of State in his telegram No. 450, February 28, 7 p. m., with a request that Ambassador Harriman forward to the Department "any information the Embassy might have in regard to recent developments in Sinkiang and Soviet attitude thereto." For Ambassador Harriman's reply, see his telegram No. 690, March 9, 2 p. m., p. 995.

<sup>47</sup> Not printed.

893.00/3-245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 2, 1945—6 p. m.

[Received March 3—3:10 a. m.]

351. Embassy telegraphed Consul at Tihwa on February 13 requesting telegraphic report on present status of Sinkiang revolt (ReEmb-tel 271, February 21, 4 p. m.).

But no further information yet received. Latest local report is that Wu Chung-hsin will shortly be removed as chairman of Sinkiang because of certain anti-Soviet writings before his assumption of office which have only recently received publicity. Persons named as possible successors are Ho Yao-tsu, presently mayor of Chungking, and Chu Shao-liang. Paraphrased to Tihwa.

ATCHESON

893.00/3-945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*<sup>48</sup>

Moscow, March 9, 1945—2 p. m.

[Received March 10—4:25 a. m.]

690. No information is available here at this time on developments in Sinkiang. (ReDeptel 450, February 28, 7 p. m.<sup>49</sup>) We will not fail to report anything that may come to light on the subject, but it is not likely in present circumstances that we will be getting much first hand current information on happenings in that area or on the Soviet attitude thereto.

Some general observations on Soviet policy toward the other countries of the Asiatic mainland were set forth in my 118, January 18 [13], 4 p. m.<sup>50</sup> concerning particularly the Soviet attitude to Indochina, and the Department may wish to note those observations once more in connection with Sinkiang. The basic lines of Soviet policy toward Sinkiang seem reasonably clear; and in the belief that it might be useful to the Department to have them resummarized at this time, as they appear to this Embassy, I submit the following:

(a) While not necessarily adverse to a considerable show of local autonomy in Sinkiang, Moscow means to achieve sooner or later a

<sup>48</sup> Repeated to the Chargé in China (Atcheson) as telegram No. 443, March 14, 4 p. m. In a memorandum of March 13, the Chief of the Division of Chinese Affairs (Vincent) commented: "As stated in the Embassy's cable, this estimate is based not on new information from Soviet sources but on deductive reasoning. It should be noted that Moscow's observations are not consistent with our reports from Chungking and Tihwa." (893.00 Sinkiang/3-1345)

<sup>49</sup> See footnote 46, p. 994.

<sup>50</sup> Not printed.

preponderant influence over the direction of government police [*policy?*] there, particularly with regard to all outward connections of the province. The immediate objective will probably be the exercise of a form of concealed veto power over the acts of the local authorities and not any open assumption of executive responsibility.

(b) In the pursuit of this goal, the Russians will not hesitate to use any of the methods customarily employed in the struggle for political power in that area.

(c) Moscow is in no hurry. Russian policy will be kept as fluid as possible. Russian prestige will not be unnecessarily or prematurely engaged in any direct action by the Soviet Government. The Russians, for reasons of caution, will operate by preference largely through puppet groups, and will take no move unless convinced that the dangers thereof do not outrun the positive possibilities. For this reason, the reassertion of Soviet influence may follow a tentative, zigzag course, the various turnings of which will not be easily apparent to the outside world.

(d) For some time at least the question of sovereignty will be secondary. The preservation of Chinese sovereignty, provided it is not accompanied by too vigorous or independent assertion of Chinese power, has certain advantages from the Russian standpoint. The day may come when Moscow will find it fit to bring pressure, directly or indirectly, for a change in the sovereign status of the area. This day may even be hastened if Russia's "face" should at any time become involved, either through irritating and challenging tactics on the part of the Chinese or by the impetuosity of some of the primitive groups through whom the Russians are working. But for the immediate future, the question of sovereignty is not likely to arouse much outward interest in Moscow, and Russian attention will be concentrated on the realities, rather than the trappings, of political influence.

(e) Russian policy will be consistently directed to the elimination of western influence and western activity from the area. It may be expected that this will eventually apply to official western representatives, as well as to other manifestations of western activity. But in approaching the question of foreign representatives, the Russians will proceed with great circumspection. They will strive to avoid direct action; and their efforts will probably be confined for some time to making conditions of life and work for these representatives such as to induce their government to withdraw them voluntarily.

(f) Russian diplomacy will doubtless continue to make extensive use of the racial affinity between elements of the Sinkiang population and similar elements in the USSR. Any advantages of Soviet in-

ternal national minority policies over those prevailing beyond the Soviet borders will be fully exploited.

(g) Trade with Sinkiang will be conducted by the Russian Foreign Trade Monopoly, as in the past, largely with an eye to political considerations. Every effort will continue to be made to build up there a popular impression of the cheapness and plentitude of Russian consumer's goods, and of the generosity of Soviet foreign trade organs in their dealings with backward peoples.

HARRIMAN

893.00/3-1145 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 11, 1945—3 p. m.

[Received March 11—12: 35 p. m.]

407. Telegram of December [*March?*] 8 from Consul [at] Tihwa reports that there appears to be no recent change in status of revolt; he states, however, that although Chingho has not fallen it is under attack, that Sulai (on highway 125 miles west of Tihwa) has been raided several times but not invested or taken, and that there may now be some foundation for rumors that Tihwa itself is loosely and lightly surrounded.

ATCHESON

125.937D6/3-1945 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 19, 1945—2 p. m.

[Received March 20—10: 38 a. m.]

467. Both the British Ambassador<sup>51</sup> and I have informally and casually approached the Foreign Office, from the point of view of the possibility that our Consuls and the American weather station at Tihwa might be cut off, in regard to the apparent lack of specific information on developments in Sinkiang. Neither Sir Horace, whose approach was made to the political Vice Foreign Minister, nor I received much satisfaction. I had the opportunity to make my approach during conversation with Soong on other matters on March 19 and in doing so I made an off-hand reference to the circumstance that we had established our Consulate at Tihwa at the suggestion of the Chinese Government. Soong said that he did not think there

<sup>51</sup> Sir Horace Seymour.

was any possibility of danger to Tihwa and that it was expected that when the weather improved the situation in Sinkiang would also improve as operations would be easier for the Chinese troops. I told him that our information, which was unconfirmed, was to the [effect that?] Chingho was under attack and that Wusu and Sulai, the latter only 130 miles from Tihwa, were surrounded by insurgents and I asked him if this information was correct. Consonant with what is an apparent rule for him and other Chinese officials in answering questions in regard to the situation in Sinkiang, he replied that he did not know the details. I requested him to let me know if the situation worsened, and he said he would do so.

ATCHESON

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893.00/3-3145 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*<sup>52</sup>

CHUNGKING, March 31, 1945—2 p. m.  
[Received March 31—11:33 a. m.]

548. Following is substance of telegrams just received from Consul at Tihwa:

1. Special tribunal of 18 members with Dr. Lo Chia-lun as special commissioner, despatched to Tihwa last autumn to re-try a group of Chungking officials who were arrested by former Sinkiang Chairman Sheng Shih-tsai, left by air for Chungking on March 26, having gradually effected the release of the entire arrested group.

2. Dr. Lo informed Ward in confidence prior to his departure that insurgents were conscripting and drilling recruits and collecting horses; that for three days they had been heavily attacking Tahoyen (40 miles west of Chingho); that they had captured an important pass to Yenchi (140 miles southwest of Tihwa); and that it was feared that within a few weeks Kashgar, Aksu and Yenshi would be subjected to well-planned attacks.

3. Dr. Liu Tze-yung (Embassy's 271, February 21) who returned to Tihwa March 26 informed Ward that no progress had been made in Chungking. Ward gained the impression that Liu's views and attitude toward Sinkiang problems received little consideration from Chungking authorities. Liu appears to share views of Lo (paragraph 1 above) that Sinkiang situation may shortly show rapid deterioration.

ATCHESON

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<sup>52</sup> Repeated by the Secretary of State in his telegram No. 787, April 4, 3 p. m., to the Ambassador in the Soviet Union.



893.00/4-645 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 6, 1945—10 a. m.

[Received April 7—12:35 p. m.]

583. I have had a talk with [about?] Sinkiang with Lo Chia-lun, High Commissioner of the Control Yuan for that province who came to Chungking from Tihwa a few days ago. I told Lo our information (ReEmbs 548, March 31, 2 p. m.) and while he was cautious in his replies he stated that although the situation was not as bad as pictured by our information it was nevertheless going from bad to worse. He said he did not think that the insurgents were infesting Suilai or were operating south of Tihwa.

Lo said—and he appeared to be convinced of the correctness of his statements—that there was ample evidence that the insurgents were receiving direct concrete assistance from the Russians. He said that the Kazaks had “some” Soviet planes, that among their troops were Soviet officers in the guise of White Russians, and that Kazak cavalry soldiers were equipped with automatic rifles shooting 20 rounds.

I have known Lo for 10 years (he was formerly chancellor of Central University at Nanking) and have always had respect for his integrity. I am accordingly not prepared to disbelieve his statements in their entirety.

Repeated to Moscow.

ATCHESON

893.00/4-945 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 9, 1945—2 p. m.

[Received April 9—12:16 p. m.]

599. Following is substance of portion of telegram dated April 6 from Stevens at Lanchow:

It is rumored in Chinese circles in Lanchow that USSR has offered to assist Chinese in suppression of Sinkiang insurgents and to supply Chinese with motor trucks, provided Chinese (1) grant USSR navigation rights on Ili River, petroleum and gold mining concessions, and right to construct railway from Ili to Soviet border, and (2) open Ili as commercial port. Soviet Secretary at Lanchow professed to have no knowledge of these rumors but his subordinates hinted that there might be some basis for them.

Sent to Department as 599, April 9, 2 p. m., and repeated to Moscow. Embassy is reporting above for what it may be.

ATCHESON

893.00/4-1845 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 18, 1945—3 p. m.

[Received April 18—8:25 a. m.]

643. Following is summary of recent telegrams from Consul at Tihwa:

Wu Chung-hsin has tendered his resignation as chairman of Sinkiang Provincial Government. He is said to be irritated over (1) his differences with General Chu Shao-liang who continues to bring into the province reinforcements from Sian (over a hundred thousand have already arrived), and (2) his inability to cope with the political and financial situation created by the presence of these troops.

The Generalissimo's son, Chiang Ching-kuo, arrived in Tihwa April 13 where he has conferred with provincial officials and visited provincial institutions. Chinese hope he is prepared to discuss with Soviet Consul General trade and border problems.

Chiang may succeed Wu as provincial chairman.

BRIGGS

893.00/5-545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 5, 1945—8 a. m.

[Received 11:30 a. m.]

725. Following is summary of recent telegrams from Consul Ward in Tihwa.

1. Arrival in Sinkiang of substantial reinforcements (Embassy's 643, April 18, 3 p. m.) makes unlikely severance of communications with Lanchow or a successful attack on Tihwa, but the cost of maintenance of such a large military establishment has tended to aggravate inflation and other sources of discontent. Tension continues, however, and the authorities have ordered a new series of arrests allegedly in an effort to forestall plans of insurgents to extend their sphere of influence to Kashgar.

2. Petrov, the new Soviet Ambassador to China, arrived in Tihwa April 16 and left for Chungking on April 25. During his visit in Tihwa there were held a series of friendly conferences between Soviet representatives and Chiang Ching-kuo; and Ward states that for first time since his arrival in Tihwa there was evidenced a sincere effort on the part of the Chinese to seek Soviet good will. Chiang also left for Chungking on April 25, although on a different plane from that on which Petrov traveled. He was accompanied by Wu Chung-hsin who, having tendered his resignation, may not return to Sinkiang.

HURLEY

893.00/5-1045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 10, 1945—1 p. m.

[Received May 10—1 p. m.]

751. Following is a summary of recent telegrams from Ward in Tihwa :

Arrests made in connection with the shooting of a member of the secret police have uncovered a widespread conspiracy to seize Tihwa and set up a Turki Government. The conspirators are said to be well supplied with hand grenades, rifles and machine guns. Over a hundred arrests have been made and large caches of arms have reportedly been discovered.

On May 1 a fire, alleged by police to have been set by these plotters, broke out on the military airfield, destroying three planes. Tihwa is now under strict although unannounced martial law.

Disturbances are spreading throughout the province. The [Hami road] has been mined. Part of the Mongol garrison at Yenki has deserted to the insurgents who, numbering about 1500, threaten the city from the northwest. Plainclothesmen from Ining are crossing the passes into the Tarik, threatening Kashgar where Ward says serious trouble may develop. Insurgents in the Ining valley are forcing conscription.

Although apparently the Tihwa's police have extracted from prisoners "confessions" implicating the Soviet Consulate, General Chu Shao-liang has informed Ward that he does not believe it. The General also considers without foundation a rumor that Soviet planes have dropped men and supplies on the Soviet side of the border near Kashgar.

Sent to the Department, repeated to Moscow.

HURLEY

893.00/6-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 16, 1945—4 p. m.

[Received June 16—11:06 a. m.]

1000. Following analysis of present situation in Sinkiang is based on recent telegrams from Wash [*Ward*]:

Chinese defense of Li [*defeat in Ili*] valley in January followed by collapse of Tihwa conspiracy in May resulted in an impasse which should have afforded an opportunity to settle revolt as purely internal affair. However, according to special delegate Li Tsu-nung and others in position to know, Chinese authorities have made no effort to

effect such a local settlement, nor do they contemplate further action with a view to a military solution. General Chu is reported to believe that settlement can be reached only through diplomatic channels as he is said to be convinced that revolt was inspired by USSR. In considered opinion of British and American consuls, however, revolt resulted not from Soviet instigation but from abundant internal causes, although quite possibly there exists on the Soviet side of the border substantial tacit sympathy with the rebels, especially among members of same race. In support of this belief Ward cites apparent lack of over-all direction of rebel activities as evidenced by failure of rebels who have been northwest of Yenchi for more than a month to attack the city, and to take advantage of the continued unrest in northern Sinkiang and the obvious Chinese weakness in southern Sinkiang.

Ward has been confidentially informed that early in June special delegate, acting on orders from the Central Government, requested through Soviet Consul General good offices of USSR in settlement of revolt. Consul General reportedly suggested that matter be referred to Moscow. According to special delegate, problem will be discussed by Molotov and Soong in Moscow.

Sent to Department. Repeated to Moscow.

[HURLEY]

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893.00/6-2345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 23, 1945—6 p. m.

[Received June 23—2: 50 p. m.]

1041. Following message contains substance of statements made by General Chu Shao-liang in interview with Ward on June 19:

Sinkiang situation has not materially improved and may deteriorate with melting of snow in mountain passes. No immediate concern is felt for safety of Tihwa. Insurgents northwest of Yenki have been repulsed and that city is safe for present. Kashgar is not now threatened and no further trouble has developed in southern Sinkiang. Due to more careful patrolling of Hami road, no more explosions have occurred along this road for more than a month. However, there has been a constant series of incidents along Outer Mongolia frontier; Tsengjue in northernmost Sinkiang has recently been attacked and fighting has occurred to north of that place; more trouble has been reported north of Tacheng; Chingho, still under Chinese control, is being constantly attacked; Kazak troops from Ining have been op-

erating in Suilai area; and unless revolt is settled before autumn Chu believes that a grave situation may arise. (Special delegate concurs in above opinion.)

Chu also reported continual alleged Communist propaganda (samples of which he provided Ward) directed against Chinese control of Sinkiang, and said that Sinkiang rebellion represents a Communist effort to take over province. He said that the presence of the eight months old Ining rebel govt was an ever-present incitement to spread of revolt. He implied that China would fight to retain sovereignty over the province, stating, however, that Chinese authorities do not now contemplate use of military force to subdue insurgents. Military effort will be confined to defense of present position. Troops now in Sinkiang which may be needed in operations against Japan will be withdrawn from province as soon as situation permits. He stated that no Lend-Lease materials have been brought into Sinkiang for use against rebels.

Chu expressed belief that settlement of question must be afforded by diplomatic means, and said that Chinese are not at present making efforts to settle problem by local negotiations.

HURLEY

893.00/6-2645

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 26, 1945—8 a. m.

[Received 12:40 p. m.]

1050. Additional messages received on June 22 from Ward in Tihwa (ReEmbstel No. 1041, June 23, 6 p. m.) are summarized as follows:

“Tihwa special delegate, in conversation with Ward on June 19, offered opinion that basic Chinese problem is Kuomintang anti-Communist relationship. He said that Communist popularity among average Chinese, including small businessmen, is not understood abroad. He stated that Kuomintang must either (1) carry out such thorough and honest reforms as to offer Chinese more than Communists do or (2) come to terms with Communists. He expressed deepest concern lest Communists [*Kuomintang?*] will do either [*neither?*] and that the resultant impasse might lead to civil war and international confusion which would bring on a third world conflict. He asserted that the Sinkiang situation was closely related to the Communist problem. He said that former provincial chairman Sheng during earlier period of his administration when he was professedly pro-Communist had invited large numbers of Chinese Communists to Sinkiang, but that, as Soviets are aware, he arrested them when he turned on the USSR and they are still imprisoned. He stated that when Soviet Consulate Gen-

eral was approached in regard to [the?] Ining revolt, it replied that it regarded problem as purely internal affair.

(Ward now believes that statement attributed to Consulate General (Embassy's NR 1000, June 16, 4 p. m.) was a distortion of fact.)

Special Delegate feels that in Sinkiang (as in China proper) taking strong anti-Soviet stand rather than accepting fact of bad internal administration will inevitably lead to disaster; that attitude that fault lies with Communists paralyzes any effort to effect internal cleanup. He urged Ward to recommend to U. S. Government that it suggest to a ranking Chinese official that it would be desirable to appoint Chiang Ching-kuo (son of the G[eneralissimo]) as chairman of Sinkiang to replace Wu Chung-hsin. Were this appointment made, Ward feels, the present politically dangerous situation in Sinkiang would be susceptible to settlement."

It is difficult at this distance to assess the importance of the Sinkiang situation, the difficulties of which are however apparent. Ward sometimes fails to make clear whether he is talking about alleged implication of the Chinese Communists or the Soviet Government or both (sent to Department, repeated to Moscow) when reporting views of Chinese officials with whom he has talked. Furthermore he is perhaps not aware of the development described in my telegram No. 1038, June 23, 7 [3] p. m.<sup>53</sup> and he may not be informed of Soong's impending visit to Moscow. (For security of communications reasons we have not apprised him of these developments.)

HURLEY

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893.00/6-2845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 28, 1945—3 p. m.

[Received 3:40 p. m.]

1062. Consul Ward reports that Chairman Wu Chung-hsin returned to Tihwa June 23 and that special delegate Liu Tse-yung (ReEmbstel 1050, June 26, 8 a. m., to Dept; repeated to Moscow) in answer to urgent summons from T. V. Soong (sent to Dept; repeated to Moscow) left Tihwa June 24 for Chungking.

I have discussed the Sinkiang situation with Soong who informed me that in his opinion it was due to Chinese factional strife. He discredited rumors that the difficulties were being promoted by the Soviet Government.

HURLEY

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<sup>53</sup> *Ante*, p. 416.

893.00/6-2645

*Memorandum by Mr. Everett F. Drumright of the Division of  
Chinese Affairs*

[WASHINGTON,] July 3, 1945.

Reference is made to the attached Chungking telegram No. 1050, June 26, 8 a. m.,<sup>54</sup> summarizing a report submitted by Ward in Tihwa. [Here follows substance of last two paragraphs of telegram.]

It may also be pointed out that Wu Chung-hsin, present Sinkiang Provincial Chairman, returned to Tihwa on June 23, 1945. In all probability his return to Tihwa was dictated by the Generalissimo's desires.

In the absence of detailed and factual information in regard to the situation in Sinkiang, the precise causes of the disturbances in Sinkiang and the possible relationship of Wu Chung-hsin thereto, and having consideration of the possibility that the Sinkiang problem will be discussed in Moscow, it is believed that no useful purpose would be served, at least for the present, by the U. S. Government's suggesting to the Chinese Government that it replace Wu Chung-hsin with Chiang Ching-kuo.

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893.00/6-2845

*Memorandum by Mr. Everett F. Drumright of the Division of  
Chinese Affairs*

[WASHINGTON,] July 3, 1945.

Chungking's attached telegram No. 1062, June 28, 3 p. m.,<sup>55</sup> which sets forth the substance of a report from Ward at Tihwa, indicates that earlier reports to the effect that Wu Chung-hsin had tendered his resignation as Chairman of the Sinkiang Provincial Government were erroneous or that the Government in Chungking refused to accept his resignation.

T. V. Soong's reported statement to the Ambassador (last paragraph of attached telegram) seems, if anything, to add to the confusion existing in regard to the cause or causes of the disturbances in Sinkiang. Only a few days ago Ward reported General Chu Shao-liang as stating that the disturbances were Soviet-aided and that a settlement could only be obtained by diplomatic negotiations, whereas in the present instance we have the Chinese Foreign Minister stating it to be his opinion that they are due to "Chinese factional strife" and not being fostered by the Soviet Union.

<sup>54</sup> *Ante*, p. 1003.

<sup>55</sup> *Ante*, p. 1004.

893.00/7-1645

*The Consul at Tihwa (Ward) to the Secretary of State*<sup>56</sup>

No. 15

TIHWA, July 16, 1945.

[Received August 20.]

SIR: I have the honor to refer to this Consulate's despatch no. 9,<sup>57</sup> on the subject of the progress of the Sinkiang Revolt from the first week in February to the middle of May, and, further in that connection, to submit the following report on the course of the uprising from the middle of May to the middle of July.

[Here follows detailed report.]

*V. Conclusions.*

The longer the Ining Revolt continues, the graver the situation becomes.

The presence in the Province of a sufficient force of Chinese troops to assure the Chinese of a conclusive victory in the fighting which is expected this coming winter will not make that fighting less likely.

Chinese troops, were they victorious, could hardly be restrained to purely defensive action, nor could they be checked from the pursuit of their enemy.

By the same token, the direct involvement of one of the neighboring Soviet Republics would become the more likely the more overwhelming was the Chinese victory.

The continual increase of Chinese troops in the Province, clearly justifiable in the Chinese view, may reach a point at which the Outer Mongolian forces will regard defensive action to prevent the further reinforcement of those troops as imperative for their own safety.

On the other hand, if, while unsatisfactory relations subsist between China and Russia, a native revolutionary group made good its control over any considerable portion of the Province, and was able to defeat (as was the Ining regime) Chinese forces sent against it, the Russian Government would be strongly impelled by internal political considerations to recognize that regime.

In neither of the eventualities contemplated would the question of whether the Ining revolt was Soviet-instigated be of any more than academic interest.

It would therefore appear urgently advisable that the Chinese should set aside their contentions in these premises in favor of immediate and imaginative action to settle their internal problems within the Province and to liquidate in negotiation such of their external difficulties as affect Sinkiang.

Respectfully yours,

ROBERT S. WARD

<sup>56</sup> Approved by the Ambassador for transmission to the Department.

<sup>57</sup> Not printed.



893.00/8-1145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 11, 1945—9 a. m.

[Received 9:10 p. m.]

1326. Ward reports by telegram August 5 that, according to Tihwa Customs Commissioner, rebel forces captured Tacheng August 1st; Chinese officials, including customs staff, took refuge across Soviet border. Same informant had heard, although from less reliable sources, that Chingho was taken by rebels end of July. Informant expected rebel advance toward Wusu which, informant said, is strongly garrisoned by Chinese troops. (Sent to Department, repeated to Moscow.)

Ward states that, although there is speculation concerning reasons for loss of Tacheng, he considers it probable that as in case of Ining, Tacheng fell to a rebellious native force with which part, if not the majority, of city's residents were in sympathy.

Ward reports that Chu Shao-liang has been ill for over 2 weeks, probably with beriberi; that Liu Tse-yung has not returned; and that [Soviet Consul?] left for month's visit to Moscow on July 24.

HURLEY

893.00/8-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 31, 1945—3 p. m.

[Received August 31—2:30 p. m.]

1475. Consul Ward at Tihwa reports under date August 26 that the Tihwa-Kashgar highway has been severed at two places at Ertai, and that Ertai was taken by the rebels two weeks ago. However, General Chu Shao-liang states that Ertai was recaptured about August 22. The provincial government a week ago warned the British Consul General at Kashgar, who was to have arrived at Tihwa August 25, to defer his departure until the highway was open, possibly about the middle of September. (Sent to Department, repeated to Moscow.)

Ward reports that Okit and Tacheng continue in rebel hands. General Chu states that a few days ago the Chinese succeeded in driving away from Chenghwa a force of 300 cavalry which he believed were Outer Mongolian. General Chu was somewhat more optimistic this week than previous week, possibly because his health had improved, but according to popular report the situation is growing worse rather than better and tension remains high.

HURLEY

761.93/9-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 7, 1945—11 p. m.

[Received September 7—3 p. m.]

1540. Given below is summary of several telegrams dated September 6, some garbled and others not too clear, received today from Consul Ward, Tihwa :

Commissioner Customs reports his staff at Irkistan, Chinese border town controlling road from Kashgar to Russia, withdrawn, and that Puli taken August 22 by Kirghiz rebels. Several hundred Chinese retreating from Puli reached Misgar, on Indian border, where they telegraphed Chinese Consul General that Otru had been attacked by about 1200 Soviet troops. Message from British Consul General (presumably Kashgar) to British Consul [at] Tihwa confirms that rebels were well armed and that some members of force probably came from across Russian border, but does not suggest that Puli was actually taken by Soviet forces. (Sent Department, repeated to Moscow.)

General Chu Shao-liang who is still ill asserts Chenghwa is loosely surrounded by Kazaks and is being supplied by planes; its fall imminent. Troops General Chu identifies as Outer Mongolian have been withdrawn from Altai region, but he does not know how far.

Rebels are attacking Wusu with increasing force and intensity. Customs Commissioner reports that on September 5 two planes, stated to be Soviet, flew over Wusu and dropped eight bombs. Ward remarks that since V-J Day Chinese have been using planes for strafing and possibly bombing against insurgents, and that it is possible attack on Wusu was insurgent answer, using captured planes. Ward considers it remotely possible, however, that adjacent autonomous [area with?] same race and language as insurgents, anxious to assure that latter should not be overcome simply by overwhelming superiority of arms, is supplying rebels with arms equivalent to those used against them. Ward believes it possible Wusu plane report is sheer fabrication, but he comments these reports reflect renewed near-panic of Chinese, who will be disgraced if Sinkiang is lost unless Russia can be blamed.

Ward concludes by saying that, making all possible allowances for exaggeration, situation in Sinkiang is unquestionably one of great and increasing gravity (*End Summary*).

We had already received information concerning matter this morning from Generalissimo who considered situation serious. We advised

Generalissimo to take up matter through diplomatic channels with Moscow before taking other action. He agreed to do so.

We are telegraphing Ward requesting further information.

HURLEY

761.93/9-745

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Ballantine) to the Under Secretary of State (Acheson)*

[WASHINGTON,] September 11, 1945.

MR. ACHESON: In Chungking's telegram no. 1540, September 7, Ambassador Hurley states that "we advised Generalissimo to take up matter [uprisings in the Chinese province of Sinkiang]<sup>58</sup> through diplomatic channels with Moscow before taking other action". The Generalissimo agreed to do so.

Since November 1944, non-Chinese peoples in Sinkiang have been rebelling against Chinese authority. These events have aroused, principally among the Chinese, suspicion of Soviet investigation and intervention. American consuls in Sinkiang have pointed out at length plausible indigenous causes for these outbreaks.

Sinkiang and the autonomous republic of the Soviet Union have common boundaries, similar peoples, and related economic problems. Soviet economic assistance and advisers bolstered up an autonomous administration in Sinkiang from 1933 until 1943, when Soviet personnel was withdrawn. The recent Sino-Soviet agreements provide that "as to latest events in Sinkiang, the Soviet Government confirms that, as stated in Article V of the Treaty of Friendship and Alliance, it has no intention to interfere with China's internal affairs".<sup>59</sup>

In the circumstances it is doubtful that the Soviet Government will give heed to a Chinese approach on the subject.

J[OSEPH] W. B[ALLANTINE]

761.93/9-1245: Telegram

*The United States Political Adviser on German Affairs at Supreme Headquarters, Allied Expeditionary Force (Murphy), to the Secretary of State*

FRANKFURT, September 12, 1945—5 p. m.

[Received 5:15 p. m.]

20. From Harriman. Chinese Ambassador [at] Moscow tells me (reference Chungking's 1540, September 7, 11 p. m., to Dept) that

<sup>58</sup> Brackets appear in the original.

<sup>59</sup> Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 585, 588.

Chinese Foreign Office have taken up with Soviet Ambassador [at] Chungking question of reports of Soviet troops assisting rebels in western Sinkiang.

Sent to Dept as 20 from Frankfurt; repeated to Chungking and to Moscow.

Petrov replied that he felt sure the reports were unfounded but readily agreed to telegraph urgently to Moscow. My Chinese colleague has not been instructed to discuss the matter with Soviet Foreign Office and has no information on Soviet reaction. [Harriman.]

MURPHY

761.93/9-1345: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 13, 1945—8 a. m.

[Received September 14—8:01 a. m.]

1574. Embassy requested Ward to report on following four points (Embassy's 1540, September 7, to Dept. Repeated to Moscow):

1. Is there a war going on, or are these tribal or sectional disputes?
2. Who is fighting?
3. What arms and equipment are being used?
4. What are they fighting for?

Ward's replies dated September 8 are summarized below:

1. A revolution is occurring which revolting elements consider as a revolutionary war and which Chinese consider as bandit activity incited by Soviets.

2. Those taking part are Kazak, Kirghiz and some Uighur tribesmen, with some active and widespread tacit support from Muslim majority of general populace.

3. Most effective insurgent weapons are rifles and fast horses. Although some units are apparently well-armed with mortars, machine guns and possibly some anti-aircraft guns, some non-official sources indicate that not all possess rifles. Originally, tribesmen undoubtedly had some arms themselves; some have been turned over to them by provincial forces going over to rebels and some have been captured from Chinese. While some arms probably have been obtained from across border, it is impossible to secure accurate reports as to type and number.

Chinese reports state that fighters and bombers have both been used in Wusu and Chingho raids. A secretary, acting as Chairman's representative and talking on authority of Chief of Staff Wang, informed Ward that three red stars were seen in each plane which bombed Wusu September 5. General Chu and Chairman Wu seem to

believe sincerely that airplanes are Soviet, although their conclusion seems to be based on assumption that planes could not be anything else under circumstances. Ward states that a well-informed and intelligent Chinese postal official recently returned from Wusu gave him most sensible explanation of origin of planes; namely, that they were among 50 (*sic*) left on Ining air field by Chinese, and that Soviets gave rebels technical aid in repairing them. Ward states that other information from Chinese appears to confirm theory that planes are Chinese. (Sent to Department. Repeated to Moscow.)

4. Rebels assert they are fighting to break Chinese minority rule over "East Turkestan"; to assure proportional representation of each race in new government of East Turkestan; to obtain equality of all races in East Turkestan; to establish native army; to make impossible one-man government; to place village, city and district governments in hands of locally-elected residents; to reestablish trade with Soviets; to reduce present unbearable taxation by reducing sharply military and police establishments which necessitate such taxation; to free persons imprisoned for attempting to assist people; to check Chinese immigration and (forced?) transportation of nationalities; to secure freedom of religion; to save people from forced labor in fortifications, trenches and other work which benefit only Chinese; to build new irrigation systems. Ward remarks that objectives given above are rough translation from rebel propaganda pamphlet, *Why Are We Fighting?*

Ward reported in telegram September 2, delayed in transmission, that neither Chairman Wu or General Chu seem to be hopeful that warfare in Sinkiang can be settled this winter, and these officials appear to concur in native opinion that severest fighting will take place in November and December. Ward states failure of Chinese to comprehend nature of revolt and their conviction that it is inspired and directed 100 percent by Soviets has caused sharp increase in suspicion and hostility since conclusion of Sino-Soviet pact which Sinkiang authorities expected vainly would be followed by peace in Sinkiang.

HURLEY

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761.93/9-1445: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 14, 1945—5 p. m.

[Received 10:50 p. m.]

1589. Ward reports by telegram September 11 that both Customs and Postal Commissioners state definitely that Wusu and Chingho

had been abandoned (Embassy 15774 [1574], September 13, to Dept. repeated to Moscow) and that retreating Chinese forces were said to be between Suilai and Anchihai. Customs Commissioner asked if Ward would give him haven. (Sent to Dept; repeated to Moscow.) Postal Commissioner expected to leave by plane September 12. Ward states that evacuation wives and children of Chinese officials from Tihwa was proceeding by truck and plane, and that many poorer Chinese families are displaying their belongings on roadside prior to departure. He says that Chinese apparently fear a possible repetition of historic massacre of Shan [*Han?*] residents at Sinkiang Oasis. He reports that although all possible motor transport has been commandeered by General Chu to prevent possible stampede of refugees, all those who can contrive to leave are getting ready to do so.

HURLEY

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893.00/9-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 16, 1945—10 a. m.

[Received 1:10 p. m.]

1600. Ward telegraphs September 14 that General Chang Chih-chung (Embassy's 1589, September 14 repeated Moscow), Minister of Political Training (and trusted advisor to Generalissimo), and General Wong Shu-ming, vice chairman National Aeronautical Commission, arrived Tihwa September 10 and departed September 14. (Sent to Department; repeated Moscow.) Ward states these officials conferred at length with local authorities in light of Generalissimo's instructions to find solution of internal political problems involved in rebellion.

HURLEY

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761.93/9-1745 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, September 17, 1945—noon.

[Received September 17—8 a. m.]

3290. In connection with current situation in Sinkiang as reported in Chungking's 1574, Sept. 13, I can only invite attention again to considerations set forth in our 690, March 9 (sent Dept 3290, rptd Chungking 161).

Given conditions existing in Sinkiang—long-standing misrule by Chinese minority and insurgency among central Asian majority—USSR need not resort to rough-shod intervention along Polish and Balkan pattern to attain hegemony over Sinkiang. To achieve and maintain predominant influence in Sinkiang, Moscow needs do little more than guide discreetly the activities of central Asian political and military elements in Soviet and Mongolian regions adjacent to Sinkiang frontiers. Such activities will doubtless continue to be expertly blended into the tribal affinities overriding the vague borders of Nomadic Central Asia and are not likely to be readily identifiable as Moscow directed.

KENNAN

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761.93/9-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 19, 1945—9 a. m.

[Received September 20—3:20 a. m.]

1619. Ward reports September 16 that on September 14, General Chang Chih-chung (Chungking's 1600, September 16, repeated to Moscow) sought good offices of Soviet Consul to settle Ining revolt peacefully; Consul forwarded request to Moscow and answer is now being awaited. (Sent Department; repeated Moscow) General Chang departed September 16 [14<sup>th</sup>?], for personal report to Generalissimo. According to reliable report, General Chang was very much displeased at way provincial government handled matter and he instructed General Chu Shao-liang and Chairman Wu to stay in Tihwa and defend it at all cost; they will be transferred when present danger is over.

HURLEY

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761.93/9-2245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 22, 1945—1 p. m.

[Received 6:20 p. m.]

1645. Under date September 20 Ward reports in substance as follows: (Embassy's 1619, September 19. Repeated Moscow)

Subsequent to Chinese request for Soviet good offices made September 14 at Tihwa and Moscow, Soviet Ambassador informed Foreign Office September 17 that a request for Soviet good offices had also been made by Ining regime through Soviet Consul; that Moscow had agreed and Ining representatives were to be sent to Tihwa. Ining

regime now reported to be seeking autonomy within regions under its control rather than separation from China or expulsion of Chinese sovereignty.

Sent Dept. Repeated to Moscow.

Ward expresses opinion Chinese seem ready to grant considerable degree of autonomy and admit frankly serious abuses and weaknesses of present Chinese administration; prospects for settlement are therefore good and it is probable present crisis may be safely over, although new crisis would probably follow any serious hitch in negotiations. Ward believes Central Government apparently contemplates dividing Sinkiang into two provinces, north and south of Tianshan, with special status for autonomous regions in western part [of] northern portions of northern province and new provincial regimes for capitals at Kashgar and Tihwa.

ROBERTSON

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761.93/9-2645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 26, 1945—11 a. m.

[Received 1:50 p. m.]

1664. Ward reports under date September 23 in substance as follows:

General Chu Shao-liang asserts rebel objective is to control four districts comprising most important parts of province, namely Ili, Kashgar, Chenghua and Tacheng. (Embassy's 1645 to Department, repeated Moscow.) General Chu states that Turkestan [*Irkistan?*] is now being attacked and he predicts its capture will be followed by attack on Kashgar; he believes situation only seems better, expects negotiations will fail, and believes winter will witness more severe fighting than any so far. Ward reports fresh Chinese forces continue to arrive and defense measures are being rushed at Tihwa; evacuation of women and children continues although not at same speed as few days previously. (Sent Department, repeated Moscow.)

Ward states strong reaction against optimism of few days previously leads a Central Bank man, Commissioner of Customs and other influential Chinese to share General Chu's conviction that rebels will request more than Chinese can concede.

Ward reports that General Chang Chih-chung, who is to return to Tihwa upon arrival of Ining delegates, is quoted in Tihwa as having



said that negotiations in Chungking between Government and Communists are deadlocked by claim of Communists for provinces, concurrence in which would "put China back to 1935".

ROBERTSON

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761.93/10-245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 2, 1945—1 p. m.

[Received 10:45 p. m.]

1708. Consul Ward at Tihwa reports under date September 30 in substance as follows: General Chu Shao-liang has received telegram that American Military Attaché is proceeding to Tihwa and Ward has been asked to obtain information concerning time of arrival, duration of stay, et cetera (Embassy's 1664, September 26, repeated to Moscow). Ward states during last two weeks widespread reports have been current regarding imminent visit of American Ambassador to Tihwa; he also reports equally widespread conviction among Chinese in Tihwa that present situation is in reality a conflict with Russia in which United States because of her own alleged conflicts with same power is bound to come to assistance of Chinese; in view of these factors Ward expresses opinion that visit to Tihwa by ranking U.S. official at this time would almost surely have the effect of making Chinese less willing to compromise in forthcoming negotiations and might also exacerbate further Russian feelings already probably ruffled by charges of bad faith and by intense present preparations by Chinese for large scale fighting just after having requested Soviet intercession. Ward accordingly recommends that, unless visit is intended to have first of effects mentioned and is willing to risk second, trip be postponed until such time as negotiations are well under way or until it has become evident that they will not take place or have failed (*End Summary*).

Sent to Department, repeated to Moscow.

After consulting with Army Headquarters here, we telegraphed Ward October 1 in substance as follows: Ambassador Hurley, who is now in America, had not planned a trip to Tihwa. Military Attaché, Colonel Dusenbury, has for several months been planning a routine trip to Sinkiang. Military Attaché together with Colonel Dickey and Radio Operator Lucas were expecting to leave Chungking by plane tomorrow for Tihwa but in view of your telegrams their departure will be deferred pending further word from you.

ROBERTSON

761.93/10-1245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 12, 1945—3 p. m.

[Received October 13—2:15 a. m.]

1788. Consul Ward at Tihwa reports under date October 7 in summary as follows (Embtel 1708, October 2 to Department repeated to Moscow):

The insurgents on October 3 asked for route by which delegates were to go but they did not, it is said, furnish information regarding names or number of delegates. The route through Suilai was given them and several Chinese officials in Tihwa are traveling to Suilai October 7 to prepare for reception of delegation and its conduct to Tihwa. It is expected that conference will open at Tihwa not later than October 12 on which date General Chang Chih-chung is expected to arrive Tihwa from Chungking. Considerable misgivings regarding prospects of peaceful settlement are still felt by General Chu Shao-liang. Feeling elsewhere, however, is somewhat more optimistic and arrival of delegation will in itself disprove largely the more extreme allegations of bad faith on part of Soviets in discharge of requested good offices. (Sent to Department, repeated to Moscow.) Ward informally informed October 6 by Foreign Office Secretary of some concern felt by Chinese authorities concerning possible Soviet reaction to supposedly pending visit of American Military Attaché; Ward assured Secretary that situation was thoroughly understood and that nothing would occur that could conceivably embarrass Soviet good offices or achievement of constructive settlement which we were all confident would be outcome. (*End Summary*).

Embassy is telegraphing Ward reiterating assurance telegraphed him October 1 that Military Attaché would not proceed to Tihwa pending further word from Ward.

ROBERTSON

761.93/10-1745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 17, 1945—10 a. m.

[Received 11:45 a. m.]

1813. Under date October 15 Consul Ward at Tihwa reports the arrival at Tihwa on October 12 of three delegations from Ining; these delegations (two Uighurs and one Kazak) were formally introduced by the Soviet Consul General to the special commissioner of the Foreign Office on October 13. (Embassy's 1788, October 12 to Depart-

ment, repeated to Moscow.) Ward states that, accompanied by Liang Han-chao, General Chang Chih-chung arrived at Tihwa on October 14 and discussions were expected to begin on morning of October 15. (Sent to Department, repeated to Moscow.) Ward adds that General Chu Shao-liang states that all is quiet except at Tacheng where fighting continues.

ROBERTSON

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761.93/10-2745: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 27, 1945—5 p. m.

[Received October 28—7:27 a. m.]

1879. Ward reported in telegrams dated October 19 delayed in transmission (one still missing) in substance as follows (Embassy's 1813, Oct. 17, repeated Moscow):

From informal discussions October 15 between unofficial persons and rebel representatives, it appeared rebels considered themselves representatives of "East Turkestan Republic" and expected to deal with Chinese representatives on basis equality. (Repeated Moscow.) General Chang Chih-chung made it clear, in conversation with Soviet Consul General October 16, that Chinese could not deal with rebel representatives on basis which would amount to recognition their regimes; Soviet Consul General undertook to so inform representatives and, according to Special Commissioner Foreign Affairs, he informed them not only that China would not recognize their regime but also that Soviets would not do so. (Ward informed Oct. 18 by Special Commissioner that Soviet Ambassador's memorandum of September 17 to Chinese Foreign Office acceding to Chinese request for good offices, which document Chinese consider basis for present conversations, did not propose and Chinese did not contemplate meeting with delegates of an independent state, but rather with delegates of rebellious areas.) Rebel delegates seemed disappointed and answered that, under their instructions, they could not negotiate on such basis. Rebel delegates, accordingly, desired to return to Ining for new instructions; General Chang, Soviet Consul General and Special Commissioner, seemed agreed they should be permitted to depart; Ward commented that further conferences on Oct. 19 might produce some other solution but, unless they did, negotiations might be considered as suspended.

Ward reported October 21 that although rebel delegates planned to return to Tihwa, their departure for Ining might mean breakup of negotiations, situation might then be worse than ever. Ward said Chinese evacuation continued, although at slower pace; rebel preparations at Wusu rumored intensified.

Ward reported October 24 rebel delegates departed October 22 for Ining, saying they would return probably within 10 days; General Chang remaining Tihwa and Ward said confidence among officials seemed high.

ROBERTSON

893.00/10-3145

*The Consul at Tihwa (Ward) to the Secretary of State*

No. 26

TIHWA, October 31, 1945.

[Received January 30, 1946.]

SIR: I have the honor to refer to this Consulate's despatch no. 15, dated July 16, 1945, covering the Sinkiang Revolt from the middle of May to the middle of July, and, further in that connection, to set forth below for the records of the Embassy and the Department a connected chronicle of the further course of the revolt up to the end of October, 1945.

[Here follows detailed report.]

At a formal official celebration of the signing of the Sino-Soviet Treaty,<sup>60</sup> held about ten days after that event, the Chairman of the Province of Sinkiang, seated next to me (with the Soviet delegation just across the aisle) informed me in Chinese—and insisted on an interpretation being made for me in English—that “China and America will always be allies, because each believes in the sanctity of treaties; according to Marxist ‘dialectic’, however, it is a clever and praiseworthy thing to make a treaty and then break it immediately; that is what the Soviets have just done, and that is why it will never be possible for either America or China to be friends of the Soviet Union.”\*

It was repeatedly said during September that the American Ambassador to China was coming (or, alternately, had come) to Tihwa, accompanied by a high-ranking general officer on the active list of the U.S. Army, for secret conferences with the Chinese civil and military officials on the spot as to the defense of Sinkiang (against Soviet Russia). General Chu Shao-liang himself confidently expected an American visit and looked to it to save his political position, as he felt no doubt of his ability to convince a fellow army officer that Sinkiang was already practically being invaded by Soviet armies.

<sup>60</sup> August 14, 1945, *United States Relations With China*, p. 585.

\*In reply, I suggested to the Chairman that, since General Chu, who was supposed to be sitting just across the aisle next to the Acting Consul General of the U.S.S.R., had not come to the party, he (the Chairman) might care to move across and occupy the vacant chair. He did so. [Footnote in the original.]

After the bombing of Wusu it was rumored that some one hundred and fifty American army planes were on their way to Tihwa to avenge the attack.

A public declaration to the people of Tihwa that American intervention was imminent appeared on the large bulletin board inside the South Gate of Tihwa City on or about the 15th of September. On the afternoon of that day I drove through that gate on the way to an appointment with the Chang Kuan.<sup>61</sup> There was such a large crowd around the bulletin board (where OWI pictures supplied by this office are usually posted) that it was with some difficulty that the car got by. The driver (an employe of the local Government garage from which the car was borrowed) told me that the crowd was reading an important official notice which had been posted that day. The following Monday morning in the office I was informed that the notice was said to state that President Truman had issued a warning to the Soviet Union against the further breach of its new treaty with China in its relations with Sinkiang. I sent the office messenger down to the bulletin board to make a copy of the text of the message, but when he returned he explained that just as he got to the part concerning America a gendarme officer and two privates came through the crowd and took down the bulletin. The messenger asked if he might complete copying it, but was told that he must see the proper authorities for permission to do that. I went down the same afternoon to the "Foreign Office" to ask for a copy of the document with the intention of entering a protest against any deliberate misquotation of the President or other falsification of fact which it might contain. The very friendly Special Commissioner, Liu Tse-jung, informed me that it was on the basis of a protest which he had entered that morning that the notice had been removed, and asked that I consider the matter closed. I pressed my request for a true copy of exactly the text that had been posted, but the Special Commissioner would not retreat from his assertion that in the present situation in Sinkiang to ask for a copy of that document would make his position in the Province an impossible one.† He repeated orally the text of the document, his statement of it checking with the recollection of the Consulate messenger and other persons who had read it: it had, in fact, quoted President Truman as pointedly reminding the Soviet Government of its treaty obligations vis-à-vis Sinkiang, and, in connection with the President's alleged statement, had set forth the flat assurance that if Sinkiang were further threatened, the American Government would come to the defense of that Province. This

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<sup>61</sup> General Chu.

†i. e., he would be regarded as pro-Soviet, or as trying to cast doubt on the "truth" of the bulletin. [Footnote in the original.]

latter statement was so worded as to seem to have come from the lips of the President.

The bulletin had been prepared by the Chief of the Propaganda Section of the local Kuomintang, and had been issued by the Provincial Government to quiet the Han residents of the city, who, as the document itself suggested, were fleeing the city in great panic, the sidewalks being lined on either side the length of the main street with the household belongings of Chinese who were trying to sell their things to realize enough money to pay the daily more exorbitant price for a place on truck to Hami.‡ No effort was made to claim any basis in fact for the statements concerning the President, and the Special Commissioner took no exception to my characterization of the bulletin as a grave distortion of the truth which could not conceivably help and might have been very harmful to relations between three friendly states, particularly in the more immediate and local aspects of those relations in Sinkiang.§

The almost unconscious hope of the Chinese that America can be got to involve herself in Sinkiang is in the first instance of course an expression of the age-old Chinese strategem of "Using the barbarian to control the barbarian"||, following logically enough from the conviction that the battle is with Soviet Russia, a belief which in turn is essential to the self-respect of individuals involved in a regime unable to face its own glaring weaknesses or to entertain the thought that any outright revolt against itself could possibly be explained on any other basis.

The idea that America will come and fix everything up is, however, more than a kind of self-deceit: it is at the same time a sincere tribute to America and a testimony to American prestige not only in China but Central Asia. There are other witnesses in Sinkiang to this prestige: on more than one occasion, Muslims of some influence in their communities have told me in all seriousness that the Turkis do not want to turn to Soviet Russia (of which the more well-to-do Turkis are afraid) and have no confidence that China can ever be got to

‡A place on a bus cost between \$50,000 and \$90,000 Sinkiang currency; the permit to leave cost over SK \$10,000 (i. e., in bribes) and, although the Manager is completely innocent of that fact, I have personal knowledge that some at least of the clerks of the Central Bank took SK \$400 for each SK \$10,000 changed (during the heavy run on that institution by people changing SK to Chinese currency). If the Manager approved the request to change a given sum this bribe did not have to be paid to the clerks; several Chinese came to me to get me to get the Manager's approval for their exchanges of money. [Footnote in the original.]

§I did not report this incident at the time to avoid any possible embarrassment to Liu, whose presence is essential to a settlement of the Sinkiang revolt. [Footnote in the original.]

||I<sup>3</sup> I<sup>2</sup> Chih<sup>4</sup> I<sup>2</sup>—under the Empire the basic tenet of Chinese foreign policy—has somewhat the connotation of the more homely "to fight fire with fire". [Footnote in the original.]

reform her treatment of them; but that they would be happy if America would accept a kind of administrative guidance over them.¶

[Here follows report on mission of General Chang Chih-chung.]

#### IV. *Comment.*

There have been, since the outbreak of the Sinkiang revolt, two steps in learning, two essential conceptions, which it was necessary for the Chinese mind to grasp before a real solution of the problem posed by the revolt was possible.

The first of these steps, the first of these concepts, has been that the revolt was essentially and basically an internal problem. As long as the Chinese would not accept this concept, it was impossible for them even to approach the problem. As long as they insisted both officially and privately that the good people of Sinkiang would never have turned upon their beloved Chinese masters unless they had been practically forced to do so by the nasty Soviets, the only consistent course which they could follow was to go to war with the Soviets, which even in Sinkiang was understood to be a short-cut to national suicide. On the other hand, the acceptance of this first concept offered a formula whereby—even if the revolt had been Soviet-instigated—a basic approach to the problem could be made.

It is to the very great credit of Chang Chih-chung, and no less to that of Liu Tse-jung, that both have clearly visualized, seized completely upon, this first concept. It is doubtful if either Chungking or Washington realizes the pass to which Chinese governance in this Province had come by the tenth of September, or how much has already been saved by Chang and Liu.

The second step in learning, the second essential concept, is as simple as the first: that is, that there is no necessary connection between "communism" and "autonomy"; there is no reason why a non-communist government should regard itself as debarred from employing the approach to subject peoples embodied in the idea of autonomy. Nor is there any reason why, in non-communist hands, this approach should not be just as effective as in those of Soviet leaders. The formula is one readily available to any government which really seeks the welfare of its people.

Speaking specifically of the present situation in Central Asia, it can definitely be said that the failure to grasp this second concept in dealing with the problem of Sinkiang will only confirm the whole Turki youth in the contrary belief, a belief which is already spreading among them, that communism is the only road to autonomy.

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¶which would represent the most extreme form of involvement. [Footnote in the original.]

To deny the Ining revolutionists a real degree of autonomy, or to turn them back with empty promises, is to assure the ultimate loss of Sinkiang to China, and much bitterness and bloodshed besides.

But if in Tihwa this second step in learning, this second concept, can also be grasped, and grasped in the next few weeks or months, at least in Sinkiang there will be real hope for peace and a contented native people, to whatever courses other colonial powers may by then have committed themselves in other parts of Asia.

Respectfully yours,

ROBERT S. WARD

893.00/11-1745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 17, 1945—4 p. m.

[Received November 17—3: 25 p. m.]

2009. Telegraphic report from Ward dated November 14 states that Ining delegation, composed of same three men as previously, returned to Tihwa November 13 (Embassy's 1879, October 27 repeated to Moscow). Attitude of Ining delegation not known yet (sent Dept; repeated Moscow) but Ward states that fact that General Chu Shao-liang left Tihwa November 5 for Chungking, ostensibly to attend military conference there, is interpreted in Tihwa as victory for group in favor of conciliation and autonomy, possibly presaging more progress in present negotiations than was possible when delegates were last in Tihwa.

ROBERTSON

893.00/11-2745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 27, 1945—10 a. m.

[Received 1: 20 p. m.]

2047. In series of telegrams dated November 24 and 25, one of which not yet arrived, Ward reports in substance as follows: (Embassy's 2009, Nov. 17 to Dept repeated Moscow).

On Nov. 19 at close of Muslim religious holidays normal [*formal?*] negotiations were reopened between Central Govt group headed by General Chang Chih-chung and Ining delegates. Discussions were held on basis of 11-point document brought back by delegates from Ining and 12-point Central Govt assurances handed rebel delegates before their last return to Ining.

(Here series broken by missing telegram which will be reported later when received.<sup>62</sup>)

<sup>62</sup> See the Chargé's telegram No. 2120, December 7, 5 p. m., p. 1024.



Ward states that rebels seek to limit Chinese participation in local [*Provincial*] Govt to their numerical proportion to rest of population and to constitute Provincial Govt on basis of elected Provincial Assembly, while Chinese seek in effect to maintain control of all offices higher than district magistrates. Ward states that tenacity with which Chinese seem to be insisting on a Chungking appointed Chinese chairman has cast some doubt locally on sincerity of continued assertions that all provinces will elect their own chairmen under new constitution (sent to Dept, repeated to Moscow). Ward reports that the ultimate concession which the Generalissimo is willing to permit is stated to be the election of district magistrates and inclusion among appointed heads of provincial bureaus of 6 or 7 (out of 12 or 13) "local people" who would either be Chinese or natives acceptable to local Kuomintang. As they cannot assume responsibility for acceptance of such a settlement, delegates will have to return again to Ining, leaving probably Nov. 26 and returning probably within a week or 10 days.

Ward reported Nov. 20 that he had just been reliably informed that maximum Chinese offer was to appoint 15 active members to a 25-man Provincial Committee on which all bureau chiefs would serve as members; from these 15 members, Chinese would appoint heads of Bureaus of Education, Reconstruction and Public Health; District Magistrates would be highest elective offices. Ward says that Chinese sources inform him that Soviet Consul General has worked earnestly for a settlement and is urging rebels to accept above terms.

ROBERTSON

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893.00/11-3045 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, November 30, 1945—3 p. m.  
[Received November 30—8:50 a. m.]

2068. By telegram November 28 Ward reports that all three rebel delegates departed November 27 for Ining by Soviet plane to present Chinese offer of Hsien (district) autonomy to rebel regime. (Embassy's 2047, November 27 to Dept repeated Moscow.) Ward states rebel delegates will return in about 10 days. Ward reports Chinese continue confident of an easy settlement but some native informants remain doubtful. (Sent to Dept; repeated Moscow.) Ward states that recent heavy snowfall would provide water for long-range rebel cavalry movements over desert and steppe, while colder weather would be handicap to Chinese.

SMYTH

893.00/12-745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 7, 1945—5 p. m.

[Received December 8—2:20 p. m.]

2120. Missing telegram dated November 24 from Ward at Tihwa (see Embassy's 2047, Nov 27 to Dept, rptd Moscow) has now arrived and summary follows: Agreement speedily arranged on various questions such as use of Turki language in lower school, promises of freedom of speech, trading, publication, and so forth. (Sent Dept, repeated Moscow.) However, on basic demand of rebels for election of provincial officials, including chairman, Chinese privately say that while they are in favor of broad concessions, they are prevented from making these concessions by Central Govt's failure to understand clearly Sinkiang position and by persistent effort, especially in Kuo-mintang circles, to force handling of problem on basis that Sinkiang is "no different from any other province". *End of Summary.*

ROBERTSON

893.00/12-1145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 11, 1945—1 p. m.

[Received 2:15 p. m.]

2139. According to telegram dated Dec[?] from Ward, it was expected that Ining delegates would return to Tihwa within next few days (2068, Nov 30 to Dept, repeated Moscow). Exceptional diplomatic talent of Liu Tse-jung and marked ability of Chang Chih-chung (sent Dept, repeated Moscow) together with Soviet Consul's evident sincerity in use of good offices, makes it seem reasonable to Ward to hope for satisfactory conclusion of conversations within next fortnight.

ROBERTSON

893.00/12-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 28, 1945—2 p. m.

[Received 10:14 p. m.]

2232. According to telegram dated December 26 from Ward, Ining delegates arrived at Tihwa, December 25. (Embtel 2139, December 11 to Dept repeated Moscow.) Ward states delegates' attitude

said to be conciliatory and friendly. (Sent Dept, repeated Moscow.) Chiang Ching-kuo, Generalissimo's son, was due at Tihwa, December 26 or 27, Ward stated.

ROBERTSON

### III. SOVIET POSTWAR POLICIES AND ACTIONS REGARDING MANCHURIA

893.014/8-2345 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 23, 1945—4 p. m.

[Received 4:42 p. m.]

3024. Although considerable material is now appearing on details of Soviet victories in East Asia and native Manchurian ecstasy over liberation by Red Army (to Department 3024, rptd Chungking 105), Soviet press has thus far neglected to mention that China enjoys sovereignty over Manchuria.

HARRIMAN

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740.00119 PW/8-2445 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 24, 1945—9 p. m.

[Received August 24—8:55 p. m.]

3045. *Red Fleet* August 23 contains first mention Soviet press since Soviet occupation Manchuria of "Chinese National Flag", reporting it raised over Fuyuan, near Khabarovsk first time many years. Harbin crowds shouted "Hurrah" for Soviet and "Chinese peoples".

These brief references were overshadowed by descriptions of gratitude to Russians and Stalin<sup>63</sup> whose portrait displayed most prominently. (Sent Department, repeated Chungking 109). No mention Chiang Kai-shek.<sup>64</sup> Conclusion one story reported people shout "Thank you, Stalin".

HARRIMAN

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<sup>63</sup> Marshal Iosif Vissarionovich Stalin, Chairman of the Council of Commissars (Premier) of the Soviet Union.

<sup>64</sup> Generalissimo and President of the National Government of the Republic of China.

761.93/8-2945 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, August 29, 1945—1 p. m.  
 [Received August 29—8 : 35 a. m.]

3087. Sent to Dept as 3087, repeated to Chungking for the Ambassador as No. 118.

You will note in my telegram No. 3086, August 29 noon,<sup>65</sup> reporting certain matters that came up in my conversation with Stalin on August 27, that he expects Chinese National Govt to send Chinese troops to Manchuria in the near future to take over from the Russians in keeping order and controlling Japanese saboteurs. This confirms Stalin's agreement with Soong that the Red Army should withdraw from Manchuria within three months.

As it appears important that the Red Army be withdrawn from Manchuria within this period, I assume immediate consideration is being given to this in the plans for deployment of Chinese troops.

HARRIMAN

893.00/9-645 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, September 6, 1945—6 p. m.  
 [Received September 6—2 : 40 p. m.]

3188. Tass dispatch from Manchurian city Yantsi (presumably Yenki), published *Red Fleet* September 6, contains significant details concerning formation "democratic unions" and local administration under Russian tutelage in that city. (Sent Department 3188, rptd Chungking 150.) Tass correspondent relates conversation which he had in municipal administration office with Governor Yun, doctor philosophy and former university professor, who explained that until very recently only Japanese or pro-Japanese organizations were permitted to function in town but that at present time democratic unions are "arising spontaneously". Over 1,000 persons are already enrolled in "union of workers and peasants". This organization strives to improve working conditions laborers in fields and enterprises and "bears professional character". Major task of town right now is restoration of cultural life. It is necessary to create "new local machinery of self-government," a task in which, according to Governor,

<sup>65</sup> *Ante*, p. 454.

“Soviet military authorities, commandant, chief of garrison, are constantly assisting us”.

To Embassy's knowledge, this is first time Soviet press has revealed that Russians are supervising or encouraging political-organizational work in Manchuria.

HARRIMAN

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761.93/9-1245

*Memorandum by the Acting Secretary of State to President Truman*

WASHINGTON, September 12, 1945.

Subject: Transportation of Chinese Troops to Manchuria.

Premier T. V. Soong called on the Acting Secretary of State at 4 p. m., September 10. He had a message from the Generalissimo in which the Generalissimo stated that he had requested General Wedemeyer<sup>66</sup> to inform the War Department of the Generalissimo's urgent desire that vessels be furnished to transport Chinese divisions from Canton to Dairen. It is the Generalissimo's desire that this transportation be furnished this month in order that Chinese troops can take up stations in Manchuria prior to the evacuation of the Russians which, according to the recent Sino-Soviet agreement,<sup>67</sup> is to take place within three months after surrender. The Generalissimo desired that Premier Soong bring this matter to the attention of the President. Soong stated that he decided not to go direct to the President but hoped that Mr. Acheson would inform the President. Mr. Acheson said that he would do so.

Dr. Soong went on to explain that according to present advices transportation for Chinese troops to Manchuria would not be available until December which would, manifestly, be too late. He said that if National Government troops were not in Manchuria when the Russians evacuated Chinese Communist troops would be likely to move into the area. Mr. Acheson mentioned the movement of Chinese troops in China by plane to various points such as Shanghai and Peiping and asked Dr. Soong whether it would not be possible to move Chinese divisions overland into Manchuria. Dr. Soong said it would not be because of the condition of the railroads. Dr. Soong again stressed the urgency of making transportation available and said that probably three divisions would be involved (about 30,000 men) but he subsequently indicated he was not sure as to the number of divisions that would be required.

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<sup>66</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in China Theater and Chief of Staff, China Theater.

<sup>67</sup> Signed at Moscow, August 14; Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

Mr. Acheson again assured Mr. Soong that he would promptly inform the President of the Generalissimo's request.

DEAN ACHESON

740.00119 P.W./9-1845

*Memorandum by President Truman to the Acting Secretary of State*

WASHINGTON, September 18, 1945.

Referring to your memorandum of 12 September 1945 on the subject "Transportation of Chinese Troops to Manchuria," I am informed by the Joint Chiefs of Staff as follows:

Commanders of Army and Navy forces in the Western Pacific have been directed to provide shipping for Chinese troops en route to Manchuria on the dates and in the ports specified by General Wedemeyer, Chief of Staff to Generalissimo Chiang Kai-shek.

It is fully expected by the Joint Chiefs of Staff that adequate transportation for the Chinese troops will be available on the dates when they are ready to embark for Manchuria.

H[ARRY] S. T[RUMAN]

893.77/9-2345 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, September 23, 1945—5 p. m.

[Received 9 p. m.]

3354. The following telegram has been received from Vladivostok. "173, September 19, 11 a. m. Report of an interview September 13, at Harbin with Director General Zhuravlev, sometime director of Primorsk railway but now evidently charged with direction of freight traffic on former Chinese Eastern Railway, contained in Vladivostok organ September 16. Director General was quoted as asserting that railway was taken in chaotic state, Japanese *inter alia* having blown up between Manchuli and Pogradichnaya 11 bridges including several multispan structures such as those at Mutankiang, Hailar and Chalainor. Two other bridges were blown up on the Harbin-Heiho line. Japanese damaged telegraph system and destroyed many railway stations. Two kilometer long tunnel through Hsingan Range, however, saved by action Soviet military unit from planned destruction of entrances. Bands of Japanese suicide squads are still roaming along railway system and attack repair gangs and destroy communication points. Work of rehabilitation of line now being completed and movement trains over full length of line has begun and telephone

and telegraph communications are being put in order. Harbin is becoming most important railway point in Manchuria and in future trains will arrive there by both broad (Soviet) and narrow (standard American) gauge. There have been established both gauges at Harbin for unloading [*despatching?*] of military echelons arriving there from Mukden, Port Arthur, North Korea and Heiho. Harbin railway repair shops have again begun to function. Trains now leave Harbin daily for Manchuli, Pogradichnaya, Mukden, Port Arthur, Heiho and in near future first passenger trains will depart for Vladivostok, Khabarovsk (via Vladivostok) and Chita. Clubb."

KENNAN

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761.93/9-2845 : Telegram

*The Chargé in the Soviet Union (Kenman) to the Secretary of State*

Moscow, September 28, 1945—9 p. m.  
[Received September 28—7:05 p. m.]

3398. Following telegram received from Vladivostok: (Repeated Chungking 172).

"177, September 20, 2 p. m. Quoted interview regarding Soviet action in respect to Chinese Changchun Railway further stated that railway gauge has been 'done over' (*pereshita*), that is by implication changed to broad Russian gauge, for more than 1,500 kilometers which would be roughly the whole length of the line from Manchuli to Pogradichnaya (reference Consulate's telegram September 19, 11 p. m. [*a.m.*?]<sup>68</sup>). This would be a considerable feat to accomplish in approximately one month, especially if, as stated elsewhere in interview, almost all sleepers had rotted and turned to dust under Japanese exploitation. It seems possible, however, that Soviet report of poor condition in which they discovered railway contained some exaggeration and Chinese Consul General considers that if original sleepers were used gauge could probably be changed in time indicated. Note that Red Army Journal *Krasnaya Zvezda* September 6 reported also that trains are running over altered gauge with first train reaching Harbin August 29 from Pogradichnaya. That item reports that work of restoration roadbed and changing gauge effected by Soviet railway troops with cooperation of local population. It has of late been rumored in town that a passenger train was to leave Vladivostok for Harbin on September 21 but current informal inquiry at local railway station elicits information that 'perhaps' that train will leave next week.

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<sup>68</sup> See telegram No. 3354, September 23, 5 p. m., from the Chargé in the Soviet Union, *supra*.

I observed to Chinese Consul General that pertinent Sino-Soviet agreement of August 14<sup>69</sup> made no reference to such technical questions as railway gauge. Noting that gauge had evidently been changed even before technical commissions had been set up (Articles 15 and 16 of agreement), I asked whether he had heard anything on subject. Consul General stated that he had heard nothing from Chungking regarding matter and assumed that Soviets had gone forward with effecting change while 'military conditions' prevailed. Referring to reputedly scheduled opening up of rail communications between Harbin and Vladivostok, I asked whether the Chinese Consul General would be called upon to perform any services such as issue of visas for travelers to Manchuria and Consul General replied that until Chinese representatives arrived in Manchuria presumably special 'war time' procedures would be followed by Soviets in respect to such matters. Clubb."

KENNAN

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740.00119P.W./10-145 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, October 1, 1945.

[Received October 1—11:50 a. m.]

3415. Press September 30 published despatch datelined Changchun September 29 reporting that partial withdrawal of Soviet troops from Manchuria had begun several days ago. Withdrawal of main forces, stated despatch, will begin in second half of October and withdrawal of all Soviet forces will be complete by end of November. Withdrawal is being directed by Marshal Malinovski and Chinese Command has been informed.

Sent Dept 3415, repeated Chungking 173.

[KENNAN]

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740.00119 PW/10-845

*The Consul General at Kunming (Langdon)*<sup>70</sup> *to the Secretary of State*

TIENTSIN, October 8, 1945.

[Received October 24.]

SIR: As of interest to the Department, there is given below an account of current conditions in Mukden as recited to me by an old

<sup>69</sup> Department of State, *United States Relations With China*, p. 593.

<sup>70</sup> On temporary duty with Headquarters, III Amphibious Corps.



resident of my acquaintance who was flown to Peking from Mukden yesterday on the Army plane which evacuated the last group of uniformed Americans in Manchuria (a team of four OSS men).

The Japanese troops were disarmed by the Russians without delay or ceremony and are now either interned or doing forced labor on Russian projects, which consist chiefly of dismantling, crating and hauling to railhead machinery and heavy equipment of local plants. The Japanese civilian population has been frozen in certain billets and may not move away from them under any circumstances until repatriation arrangements are ready. Railroad travel is severely restricted, even for Chinese.

Looting by Russians, official and private, by officers as well as by enlisted men, is the outstanding characteristic of the Russian occupation. The Russian state is looting the machinery of all modern plants, including the generators of the great dams built by the Japanese across the Sungari and Yalu Rivers, while the officers and men are looting homes and individuals of whatever takes their fancy. It is common to see a Japanese or a Chinese being held up in the streets and divested of his bicycle, sweater, overcoat, et cetera. A Russian soldier walked into the home of my informant and, disregarding the presence of the lady of the house and servants, went through the bedroom drawers and removed Yen 500 from a handbag found there.

Entering homes in search of women is also common in the Russian army of occupation. For instance, the Mother Superior of the French convent opposite the American consular residence had her face bashed in with a revolver butt when she barred the way of prowling soldiers trying to enter the convent gate.

The "Manchukuo" yuan (par with the Japanese yen) is still the currency of the country. Japanese technicians are being retained in the utilities, telecommunications, railroads, Fushun coal mines, et cetera.

There appears to be no reduction of the Russian forces in process in Mukden. Tanks and artillery units are sometimes seen moving north but new units seem to take their place. "Manchukuo" troops as well as Japanese were disarmed, but no action was evidently taken against "Communist" 8th Route Army guerillas who moved into South Manchuria from the Tongshan-Shanhaikwan districts just south of the Great Wall. Some 3,000 Chinese bearing "8th Route Army" armbands function in Mukden as police. There is no authority in the country and there is unemployment, lawlessness and rapid economic deterioration.

Russians view foreigners with the greatest suspicion. The French Consul in Mukden, who was on the OSS plane with my informant,

was virtually forced out of the country, as was also the last remaining Army (OSS) group—The Russian commander refused to see the Commanding Officer, Major Brady, under any circumstances. Three Chinese commissioners sent by plane to make a preliminary survey were “protected” by the Russians on their arrival and confined to their hotel rooms until bundled back to their plane three weeks later. The occupying Army does not recognize any local Russians as “white” or *émigré*, but regards them all as Soviet citizens and imprisons or transports to Siberia individuals with bad records or of non-cooperative disposition.

Our 6-acre consular lot has not been built upon and the handsome boundary walls and gates are in good condition. However, the land was used for open storage of coal and building materials and sheds were put here and there, so that some labor will be needed to clean the place up. My informant was questioned late in 1942 in our former office premises and recalls seeing metal cabinets and some desks and chairs but no typewriters. From another source I learned that our archives and records were removed from the premises in 1942.

Clerk Franklyn G. Lewis of the former office, who at the last minute refused repatriation with Consul Krentz and Vice Consul Johnson on the diplomatic exchange ship, was not released by the Japanese but reinterned until the very end. He was recovered by our Army mercy teams employed by them, and did meritorious service for them in our prisoner of war camps in Manchuria. He returned to the United States with the prisoners of war from Manchuria, accompanied by his English wife, whom he married in internment.

Respectfully yours,

WM. R. LANGDON

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893.50/10-945

*Mr. Chang Kia-ngau to the Director of the Office of Far Eastern Affairs (Vincent)*

CHUNGKING, October 9, 1945.

[Received October 31.]

DEAR MR. VINCENT: My appointment to head the economic branch of the government in the Northeast (Manchuria) was announced while I was on my journey home. It is a position I have declined several times, but the urgency of the call and the need of the country left me no choice but to accept the appointment this time. My positions will be the Chairman of the Northeast Economic Commission and concurrently the Chairman of the Board of Directors of the Changchun Railway, which is a combination of the Chinese Eastern Railway and the South Manchuria Railways. My sphere of opera-

tion will cover all the communication, industrial, mining, agricultural, forestry and financial enterprises of the Northeast (Manchuria).

I accepted the appointments with much misgiving, knowing the responsibility it carries. If I can make any contribution towards strengthening the economic structure of that part of the country I shall consider my efforts doubly repaid.

I am leaving for Changchun by plane tomorrow to discuss with the representatives of the Soviet Government on the withdrawal of Soviet troops from the Northeast. This the Soviet Government had promised to complete before the end of November.

In due course I hope the American consulate will be reopened in the Northeast to include in its staff members a few experts on Manchurian economies whom I have mentioned to you. I am sure this matter will receive your favorable attention.

With kindest regards [etc.]

CHANG KIA-NGAU

893.00/10-3145 : Telegram

*The Consul General at Vladivostok (Chubb) to the Secretary of State*

VLADIVOSTOK, October 31, 1945—9 a. m.

[Received November 4—2: 55 p. m.]

97. Would respectfully offer with reference current situation Manchuria and North China following observations which are speculative and cannot at present be supported by concrete evidence. (Telegram not sent Moscow; Department please repeat <sup>71</sup>).

From revolutionary point of view it would be favorable circumstance if sympathetic forces were in occupation adjacent area during period when revolutionaries were engaged in civil war. Such situation exists with Soviet occupation Manchuria and areas Inner Mongolia contiguous to regions held by Chinese Communists. Population settlement and communications Inner Mongolia and along Jehol border are both such, given extinction Jap garrison forces and Communist experience, that important support could readily flow to Chinese Communists from Soviet occupied zone should there be will to do so on Soviet side. Possibility maintenance military contacts with Chinese Communists located Manchuria fully obvious.

Much of war material shipped from Vladivostok by sea since termination war has been such as might be used in field. At least some shipments may have been destined for Port Arthur. Even assuming that Soviets have this early been implementing plan for building up

<sup>71</sup> Repeated to the Ambassador in the Soviet Union (Harriman) in Department's telegram No. 2293, November 5, 8 p. m., and to the Chargé in China (Robertson) in telegram No. 1795, November 5, 8 p. m.

military defenses Soviet Far East, need for large amount field equipment for that use not apparent. Although Soviets at time their entry into war in Pacific area must not only have been well prepared but have known that the task immediately ahead would not be difficult, both immediately before outbreak war and after August 14 substantial quantity war material moved eastward on Transsib Railway with traffic reduced east of Irkutsk. Material observed consisted mostly of Soviet military transport and light artillery and planes but comparatively little equipment identifiable as of American origin.

In Red Army there are not only Korean nationals but probably valuable cadre of Chinese and of course many Mongols.

USSR would be in position physically to extend help to Chinese Communists if it wished to do so. Believe that in such event most help would be extended in form material aid but not personnel. However, valuable technical personnel and leadership could be given by Soviet Asiatic nationals functioning nominally as "Chinese insurgents". Pattern would be that of Soviet intervention in Spain and Sinkiang (1934) with Red troops participating as "Partisans". Note maintenance 1937 to 43 of distinguished RT Soviet troops<sup>72</sup> at Hami.

Reports have been circulated, particularly from Chinese side, suggesting Soviet withdrawal from Manchuria will be completed by end of November. Vladivostok press has stated troops are currently withdrawn. Suggest, however, that should major civil war in China occur, Soviets might well feel themselves in position to argue that they should remain Manchuria while civil disorder China continued, until it became feasible relinquish control to China Government exercising acknowledged authority North China as well as elsewhere.

Legal benefits obtained by Soviets through August 14 agreements would be considered by them to continue even if National Government were (1) to fall or (2) to be limited in political jurisdiction to area, for instance, south of Lunghai line, so Soviet *bona fides* [in] that respect need not be questioned. By Soviet revolutionary concepts, however, there could never be reconciliation of Chinese Communists and "bourgeois" Kuomintang. Popular front concept is one used by Communists when their position is weak and not permanent element their philosophy. It is unlikely that Soviets, in reaching August 14 agreements, anticipated that with return international peace there would come era of domestic reconciliation and orderly reconstruction in China or that they felt bound by point 1 of Molotov's<sup>73</sup> pertinent note that to give moral support and material assistance to (Ktg [Kmt]) National Government in event future civil war, where note has reference to implementation treaty which in turn governs joint

<sup>72</sup> Apparently a garbled phrase.

<sup>73</sup> V. M. Molotov, Soviet Commissar for Foreign Affairs.

actions vis-à-vis Japan during war time. Any rising tide revolution in China generally would surely be viewed with deep sympathy in USSR. Moscow estimate of that revolutionary situation would probably include belief that American opinion would not suffer extension direct U.S. support Chungking with military supplies for use in civil war, especially if it were made to appear that U.S.A. was thus "opposing will of Chinese people" and that such policy, moreover, held danger of exacerbation U.S.A.-USSR relations.

Soviet desideratum would probably be pro-Soviet Communist-led regime in control in Manchuria and North China. In China fundamental conflict between Kmg [*Kmt*] and Chinese Communists is evidently about to be put to issue and in such case the trend of events here tentatively outlined seems not only rendered possible but made logical by recent history.

CLUBB

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893.00/10-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 31, 1945—2 p. m.

[Received October 31—12:28 p. m.]

1900. Minister of Foreign Affairs Wang Shih-chieh advises us as follows:

The Russians have persisted in their refusal to allow landing of Chinese Govt troops at Dairen. The Russians state landings will be permitted at Yingkou and Hulutao, both inferior harbors to Dairen. Large concentrations of Communist troops are reported near Hulutao. In order not to delay further movements of troops into Manchuria, Chinese will proceed with landings at these two ports but without waiving their right to land at Dairen. The Chinese staff at Changchun, including Generals Hsiung Hsi-fei, Director General of Headquarters, and Chiang Ching-kuo, Foreign Office Special Commissioner, are being denied freedom of movement by Russians.

He states that in opinion of Chinese Govt recent truculence of Communists and attitude exhibited by Russians have a direct relationship.

He says that negotiations with Communists were proceeding satisfactorily until September 24. Between September 24 and October 17 Communist troops cut every railway communication over which troops could be moved into liberated areas. He said further there had been repeated unprovoked attacks on Govt troops, mentioning specifically instance of heavy casualties to Govt forces when Communists suddenly and unexpectedly attacked in Shansi Province.

Yenan broadcasts have made repeated attacks upon Govt and upon US policy. Minister Wang stated he considered it unwise to engage in public debates with Communists during period when efforts were being made to reach an agreement but that he would endeavor to keep us confidentially informed as to course of events and progress of conversations.

Wang Ping-nan, Communist liaison man, makes frequent visits to Embassy in interest of Communists (see Embtel 1884, October 29 and 1899, October 31<sup>74</sup>). The Embassy is unable to evaluate claims and counter-claims that are made but shall endeavor to present to you information given by both sides. We assume Dept is keeping Ambassador Hurley fully advised our telegrams this subject.

ROBERTSON

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893.00/10-3145 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, October 31, 1945—4 p. m.

[Received 4:20 p. m.]

11385. Although local press continues to play up stories of armed clashes in North China and forecasts trouble in Manchuria, Sterndale Bennett<sup>75</sup> told us this morning that Foreign Office had no information from British Embassy [at] Chungking to indicate trouble is as serious as papers make out. However, Foreign Office is not happy about situation in North China and Manchuria as reflected in such reports as are available to it. It is feared that agreement by Chinese Communists to withdraw their forces south of the Yangtse to North China may involve merely a greater concentration of Communist forces in North China and only intensify tendency towards partition of the country between the Government and Communist forces.

With respect to Manchuria, Foreign Office is not certain that recent Sino-Soviet treaty is having beneficial effects which were at first anticipated. Report that units of Eighth Route Army were marching into Mukden and other cities by Soviet permission is considered disturbing. Soviets apparently contend that Eighth Route Army can be considered Chinese Government troops within meaning of Sino-Soviet treaty and although this argument may be technically correct Foreign Office says no one outside of Moscow seems to have interpreted the treaty in this way before. It is feared that by allowing Communist troops into Russian occupation zone difficulty of Chungking Government in establishing effective authority in Man-

<sup>74</sup> *Ante*, pp. 480 and 482, respectively.

<sup>75</sup> Head of the Far Eastern Department, British Foreign Office.

churia after Soviet withdrawal will be increased. Foreign Office believes it possible that Soviet policy is to build up Communist strength in Manchuria as check on Chungking and for use as lever in any difficulties which may arise over railways, bases and other matters considered in the treaty without giving Communists exclusive authority which would expose Soviets to charge of breaking the treaty and might also make Chinese Communists too independent of Soviet support.

Sent to Department as 11385; repeated to Moscow as 372.<sup>76</sup>

WINANT

893.00/11-845

*The Navy Department to the Department of State* <sup>76a</sup>

WASHINGTON, 8 November 1945.

1. The below information regarding the situation at Yingkow has been received by the Navy Department from the Commander, Seventh Amphibious Force.

2. An engagement on 5 November, Washington time, with the Chinese Nationalist Advance Party was not kept by the Russians. The Chinese Communist sentries on the dock asserted that they have been ordered not to permit anyone to come ashore. The Deputy Mayor made his appearance at the dock with his two gunmen. He averred that any attempt to put troops ashore in the Yingkow area would be opposed by Communist troops and that the Russians had departed from the city. On both sides of the river the building of trenches and barricades is proceeding with increasing activity. The waterfront police headquarters were deserted and the police had vanished, as of 5 November. They are civil employees of long-standing, have Nationalist tendencies and formerly were friendly.

3. The Commander, Seventh Amphibious Force sizes up the situation as follows: It is not the intention of the Russians to help Nationalist troops in re-occupying Manchuria. It appears that they would rather have that area taken over as they withdraw by Communist or irregular troops. The following is the basis for the foregoing general opinion:

(a) The refusal of the Russians on the basis of legal technicalities to allow the landing at either Dairen or Port Arthur of Nationalist troops.

<sup>76</sup> Repeated to the Chargé in China in Department's telegram No. 1798, November 6, 6 p. m.

<sup>76a</sup> Sent by Capt. Thomas H. Tonseth of the Office of the Chief of Naval Operations to the Chief of the Division of Foreign Activity Correlation (Lyon).

(b) The original Russian suggestion that Hulutao be an alternate port of entry for Nationalist forces, although the Russians must have been fully acquainted with the fact that that port was held in strength by Chinese Communists.

(c) The agreement subsequently effected on 29 October, when it is reputed that Marshal Marinofsky [*Malinovsky*] guaranteed to the Nationalist forces safe landing at Yingkow at any time before 10 November and that he asked the Nationalist Advance Party to arrive at Yingkow as soon as possible for the purpose of making detailed arrangements with the Russian garrison there. The coming of the Chinese Nationalist Advance Party to Yingkow and the Russian refusal to confer for the alleged reason that instructions in the premises were lacking to them, notwithstanding the fact that they were known to be in touch with Mukden by telephone and airplane;

(d) Communist troops pouring in recently via railways controlled by the Russians;

(e) Yingkow and Hulutao Russian officers' statements made repeatedly to the effect that Russians and Americans should avoid mixing in Chinese civil war;

(f) When implementation of the agreement of 29 October became essential the unanticipated withdrawal from Yingkow of the Russians.

4. In the event the U. S. Navy declines to land General Tu Li-Ming's troops at Yingkow, he requests consideration of the below proposals in the light of the importance to the Nationalist cause of re-occupying Manchuria concurrently with the Russian withdrawal and of the strategic importance in this effort of the Yingkow area :

(a) That the 52nd Army be put ashore somewhere near Yingkow on some undefended beach;

(b) That the date of landing be put ahead until such time as the entire 52nd Army reaches the neighborhood for the purpose of allowing the units of this force to be landed simultaneously.

General Tu Li-Ming asserted that landing at Chinwangtao and forcing a way to Manchuria via Shanhaikwan would likely be required as a result of failure to effect a landing in the Yingkow area. This alternative would be costly and slow. The formation of a separate state under a warlord with irregular troops might possibly result.

5. A very good beach for landing purposes with very satisfactory egress to the road south of Yingkow by approximately 20 miles is revealed by an investigation of the coast. It appeared that men in uniform laboring in the fields to the rear of this beach were Japanese. As an LCI drew near to the coastal areas closer to the town small parties of unidentified men in uniform were seen and took cover.

6. The Commander, Seventh Amphibious Force is confident that opposition will be experienced in putting Nationalist troops ashore at Yingkow. Intense resentment will, without doubt, be caused in all Communist areas by any landing adjacent to Yingkow, although such a landing would most likely be only slightly resisted. Such a landing



would identify the U. S. Navy without question in an active military way in the civil war which is now developing. The Commander, Seventh Amphibious Force, recommends that no attempt be made to effect a landing in the Yingkow area.

7. The Commander, Seventh Amphibious Force states that since the attitude of the Communist troops is common knowledge and since the Russians have disappeared from the scene of the conference, there is no longer any purpose to be served by his remaining in the Yingkow area. He is on his way to Chinwangtao. The first echelon of the 52nd Army is now embarked in Transport Division 36 in passage to Chinwangtao. The troops will not be landed, however, until further orders specifying the port of debarkation are received.

8. The Commander, Seventh Amphibious Force, recommends also that a large enough number of amphibious ships and craft and liberty ships to transport one reinforced division at once be assigned to the Chinese Government for it to man and operate under its flag. This recommendation is made with a view to avoiding recurrence of the long wandering journeys which the U. S. Navy transport ships have been required to make recently in attempts to disseminate in non-Communist regions Chinese Nationalist troops and with a view to hastening the release of U. S. Navy personnel.

T. H. TONSETH  
*Captain, U. S. Navy*

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893.00/11-1545 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 15, 1945—3 p. m.  
[Received November 15—8:36 a. m.]

1992. Dr. Wang Shih-chieh, Minister for Foreign Affairs, in conversation with Chargé last evening, stated that so far National Govt had not been able to land any troops in Manchuria. Following inability to land troops at Hulutao and Yingkow (Embassy's 1900, October 31 and 1959, November 10<sup>77</sup>), Chinese attempted landings by air at Changchun, but this was rendered impossible by concentration of Communist troops around air field. (Sent Dept; repeated Moscow.)

Dr. Wang further stated that most recent reports indicated that Russians had stripped (Embassy's 1976, November 14<sup>78</sup>) and were shipping to Russia most of the equipment from Manchurian industries.

ROBERTSON

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<sup>77</sup> For latter, see *ante*, p. 483.

<sup>78</sup> Not printed.

761.93/11-1645: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 16, 1945—9 a. m.

[Received November 17—7:50 a. m.]

1999. Last evening Dr. Wang Shih-chieh, Foreign Minister, handed me top secret memorandum dated November 15 regarding Russian actions in Manchuria. Much of information therein has already been reported to Department (Embassy's 1900 October 31; 1959, November 10;<sup>79</sup> and 1992, November 15) but we feel memorandum is of such importance that full substance is given below:

Generalissimo Stalin gave assurance, during negotiations in Moscow, that Russian forces would begin to retire from Manchuria within 3 weeks after Jap capitulation and that retreat [*withdrawal?*] would be finished within 3 months after commencement. Stalin's assurance was evidenced in minutes initialed August 14, 1945<sup>80</sup> which was published, along with Treaty of Friendship and Alliance between USSR and China and other agreements regarding Manchuria. (Sent to Department; repeated to Moscow.)

Toward end of September Chinese Government was informed that Soviet forces in Manchuria would begin to retire about middle October. Chinese Government accordingly made arrangements, in cooperation with American military authorities, for transport of Chinese troops to Manchuria via Dairen for purpose of taking over areas to be evacuated by Russian troops. General Hsiung Shih-hui was instructed at same time to go to Changchun as Director General Gimo's<sup>81</sup> headquarters in northeastern provinces (Manchuria) with staff of administrative and technical officials in order to prepare for reestablishment of Chinese administration on withdrawal of Russian forces. Ministry of Foreign Affairs kept Soviet Ambassador in Chungking<sup>82</sup> informed of these arrangements.

Soviet Ambassador called at Foreign Office October 6 and said that Soviet Government objected to landing of Chinese troops at Dairen because Dairen had been declared a commercial port, and presence of Chinese forces there would constitute violation of treaty regarding Dairen concluded August 14, 1945 at Moscow. Foreign Office maintained Dairen had been declared free port only for certain trade purposes, and that treaty contained no provision restricting exercise by China of her sovereignty in and with respect to the port.

While negotiations were continuing regarding landing of forces at

<sup>79</sup> *Ante*, p. 483.

<sup>80</sup> Department of State *Bulletin*, February 10, 1946, p. 201.

<sup>81</sup> Generalissimo Chiang Kai-shek.

<sup>82</sup> A. A. Petrov.

Dairen, Marshal Malinovsky, Commander-in-Chief Soviet forces in Manchuria, informed General Hsiung Shih-hui that Soviet Government perceived no objection to Chinese troops landing at certain other Manchurian ports such as Hulutao and Yingkow. Chinese Government thereupon went ahead with preparations and obtained consent of American military authorities for use of their transport vessels. On October 25 Soviet Ambassador was informed of these arrangements for transmission to Marshal Malinovsky. Soviet Ambassador informed Ministry of Foreign Affairs on October 29 that necessary instructions had been issued to Soviet forces by Marshal Malinovsky concerning landing facilities for Chinese forces at Hulutao and Yingkow. General Hsiung at same time wired Chinese Government that Marshal Malinovsky had undertaken to guarantee safe landing of Chinese forces at Yingkow, but that such guarantee could not be given respecting Hulutao where Soviet troops were insufficient. As Yingkow harbor facilities do not allow entrance of large troop transports, it was considered necessary by Chinese authorities to land at Hulutao in order to have sufficient Chinese forces there in time to take over evacuated territories when Soviet troops withdrew. Foreign Minister on October 30 accordingly asked Soviet Ambassador in Chungking to urge on Marshal Malinovsky necessity for protecting Chinese landing at Hulutao and Yingkow.

Marshal Malinovsky informed General Hsiung on November 5, while arrangements were being completed for Chinese troop landing at Yingkow, that Communist Eighteenth Group Army had entered Yingkow via Chinchow, that thereupon Soviet forces had retired from Yingkow, and that Soviet authorities accordingly could no longer be responsible for safe landing of Chinese forces at Yingkow. Marshal Malinovsky stated further that Hulutao had also been occupied by same Communist Army and had been evacuated by Soviet troops.

Soviet action in retiring from areas mentioned and in permitting Communist troops to occupy them has made impossible landing of Chinese Government forces at any of those ports in accordance with plans agreed to previously by Soviet Government. This action is completely at variance with repeated assurances given by Soviet military authorities in Manchuria that they would disarm any troop, other than those authorized by Chinese National Government, entering Manchuria. It is pertinent to note that, at time of Jap surrender, there were no Communist forces in Manchuria, and that, up to eve of planned Chinese Government troop landings at Yingkow, there were no indications of Communist penetration into that port.

Two thousand Communist troops of Communist Eighteenth Group Army entered Changchun on November 12, according to latest reports, and another Communist force of same strength was concentrated at

airfield in neighborhood of Changchun, where Soviet forces were not scheduled to retire until from November 21 to 25. Chinese Government is consequently faced with a situation where Director General of Gimo's headquarters in northeastern provinces, General Hsiung Shih-hui, finds it possible no longer to carry out his mission in Manchuria. Chinese Government had decided, therefore, to withdraw from Changchun to Shanhaikuan the Gimo's headquarters in charge of General Hsiung Shih-hui, together with all Government officials who proceeded to Manchuria with him, pending further developments. *End substance of memorandum.*

ROBERTSON

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893.00/11-1645 : Telegram

*The Consul General at Vladivostok (Clubb) to the Secretary of State*

VLADIVOSTOK, November 16, 1945—11 a. m.

[Received 8 p. m.]

107. Chinese Consul General in conversation with me yesterday expressed in guarded terms his obvious apprehension that Soviets harbored intent of obstructing reassertion Chinese National Government authority in Manchuria (re Consul's telegram 97, October 31, 9 a. m.). Voicing his belief that general withdrawal Soviet forces from Manchuria had still not begun, despite fact that movement would normally take some time to accomplish and would logically be effected progressively in coordination with entry Chinese regular forces to take over. Consul General interpreted patent reluctance Soviet military to facilitate entry Chinese regulars into Manchuria as evidence of their desire to have Communist regime come into being there. It was his opinion that such regime would not necessarily be made up of Yen'an elements but might instead be constituted by another group formed for purpose, latter group perhaps not even employing Communist label but instead posing as patriotic and nationalistic. He appeared to conceive patriotic Soviet plan as purposing possibly that Yen'an group would hold power in North China in close moral relationship to new group in Manchuria but two groups would possess political entities which, if similar, were distinct. It will be noted that this suggested alignment, if it were to materialize, would accord generally with different economic and political interests of USSR in the several areas involved. (Telegram not sent Moscow, Department please repeat.)<sup>83</sup>

Consul General made mention of publication by local press of Tass reports of American news items criticizing American policy with re-

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<sup>83</sup> Repeated to the Ambassador in the Soviet Union in Department's telegram No. 2375, November 21, 3 p. m., and to the Chargé in China in telegram No. 1887, November 22, 2 p. m.

spect existing situation China and observed that Soviets were thus using American voices in support Soviet policy. With reference one particular point at public issue he gave opinion that Soviet dislike of transport National Government troops to Manchuria by American air or ocean craft could not be supported by reference letter of W [August?] treaty agreements, which provided for return Chinese authority Manchuria without reference means conveyance.

Local press until recently has been nearly silent on subject Chinese postwar civil strife. Items now being published falling general pattern indicated by Consul General. Next numbered telegram<sup>84</sup> will give brief survey those items. Their chief significance lies in circumstance that so far as noted only those and no other items were published (since September 1) and that they very probably come close to what Soviets themselves would like to say. If Soviets intend out-stay November in Manchuria, however, there will presumably soon be made public some purely Soviet argument to justify such intent.

CLUBB

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761.93/11-2045

*Memorandum of Conversation, by the Secretary of State*

WASHINGTON, November 20, 1945.

The Chinese Ambassador<sup>85</sup> called at his request to see the Secretary.

The Ambassador handed the Secretary a message he had received from his Foreign Minister.<sup>86</sup>

The Ambassador told the Secretary that there are over 2,000 Communist troops in Manchuria and the Chinese nationalists are forced to withdraw. The nationalist troops are already leaving, rather than be captured by the Communists, and it is impossible to send reinforcements.

The Ambassador said the Soviets are raising a question over the interpretation of the agreement concerning the Port of Dairen, which is set forth in the memorandum.

The Ambassador, replying to the Secretary's question as to how far the Soviets have progressed in removal of troops from Manchuria, said withdrawal should be completed by the 3rd of December, but the Soviets are letting the Communists in. He stated that, although they have no proof, there is reason to believe that the Soviets are turning over to the Communists artillery and tanks. Also, it is known that there are Russian officers serving with Communist troops.

The Ambassador inquired about the plans for assigning a group of military advisers to China, and asked if the matter had been taken up

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<sup>84</sup> Telegram No. 108, November 16, not printed.

<sup>85</sup> Wei Tao-ming.

<sup>86</sup> See telegram No. 1999, November 16, 9 a. m., from the Chargé in China, p. 1040.

through the Chinese Embassy here, or through our Embassy at Chungking.

The Secretary said that he would take this up with Mr. Vincent<sup>87</sup> and ask Mr. Vincent to advise the Ambassador. He said that General Wedemeyer had mentioned such a plan to him, but that arrangements were not complete, so far as he knew.

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893.00/11-2745 : Telegram

*Ambassador Edwin W. Pauley, Personal Representative of President Truman in the Reparations Committee, to the Secretary of State*<sup>88</sup>

TOKYO, November 27, 1945.

[Received November 27—12:45 a. m.]

159. Reference CA 55278. I have just come from Tsingtao, Tientsin, Peiping and Chungking in China, in company with Undersecretary of the Navy Gates, and would like to report a few observations. China sources positively state the Soviet Government is turning over all of the territories and local management to the Chinese Communist forces, that they are also turning over concurrently all Japanese arms and ammunition to the Communist forces. In Peiping I interviewed Mr. Remmer, Consul at Mukden for the French Government. He states unequivocally that the Russians are moving industrial equipment from this territory indiscriminately, whether it be Japanese or otherwise.

Have been attempting to enter Manchuria myself with member of my Mission, but at present can find no way of accomplishing this. In Chungking I talked to the Generalissimo and Madame Chiang Kai-shek, as well as T. V. Soong and others interested in reparations. They all state that they see no possibility of solving the Manchurian occupation problem insofar as the Central Government of China is concerned. In fact, they state that if the Marines pull out of the area they now occupy in North China prior to the arrival of the Central Government troops, the Communists will take over. They further state that it is impossible for the Chinese troops to enter the Tientsin-Peiping area until at least 10 boats of appropriate size are given them to transport the troops to North China to replace the Marines. The Manchuria situation is quite disturbing to me: first, from the standpoint of its relationship regarding the Communists versus the Central Government; second, the Communists forces will be greatly entrenched by controlling Manchuria with all of its vast natural resources; third, the acquisition of Japanese arms; fourth, raw materials and semi-

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<sup>87</sup> John Carter Vincent, Director of the Office of Far Eastern Affairs.

<sup>88</sup> Repeated by the Department as telegram No. 1923, December 3, 1 p. m., to the Chargé in China.

finished products from Manchuria have a direct relationship to reparations and removals of industrial equipment from Japan.

During pre-war and war periods an increasing percentage of Manchuria's exports went to Japan, and certain branches of Japan's industry were overdeveloped by consumption of these exports. In value the percentage of Manchuria's total exports going to Japan was 49.8% in 1937, 57.5% in 1938, and 62.4% in 1939.

Leading exports to Japan included iron ore, pig iron, anthracite coal, some rolled steel. Excess Japanese heavy industry, such as blast and steel-making furnaces, rolling mills, fabrication equipment, machine tools and small amounts of smelting and refining equipment for copper, zinc and lead, heretofore dependent on Manchurian resources, will be available for immediate removal from Japan.

The normal place for many of these interim removals of industrial equipment to go would be to the Philippines and China, but these countries will be greatly handicapped in deciding to receive them because of the lack of supply of raw materials which have heretofore fitted into the operation of these exact plants by imports from Manchuria.

[PAULEY]

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893.00/11-3045 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, November 30, 1945.

[Received November 30—11 a. m.]

4018. For Acheson, Acting Political Adviser [Japan]. Full translation follows of Tass despatch Changchun, November 28, published in press November 30.

As has become known to your correspondent, Marshal Malinovski informed representative of Chinese Govt, General Hsiung Shih-hui, in good time of plan to withdraw Soviet forces from Manchuria in conformity with Soviet-Chinese treaty of August 14. Plan provided for evacuating all Soviet troops from Manchuria by December 3, 1945. Recently, in conversations between Marshal Malinovski and General Hsiung, Chinese representatives repeatedly stated that Chinese Govt. was experiencing considerable difficulties in transferring its troops to Manchuria in view of presence in number of points of nongovernmental Chinese troops. According to available data, Chinese Govt taking into consideration situation which had developed in Manchuria stated to Soviet Govt that it would be in very difficult position in case of withdrawal of Soviet forces from Manchuria within the period fixed since it could not by that time either transfer its troops nor organize civil administration in Manchuria. In connection with this,

Soviet Govt gave consent to Chinese Govt to postpone withdrawal of Soviet troops from Manchuria for certain period which was received by Chinese Govt with great satisfaction. Soviet and Chinese sides also provided that conversations regarding this question would be carried on in Changchun between Marshal Malinovski and representatives of Chinese Govt.

Well-informed persons have stated to your correspondent that already in October during conversations in Changchun Chinese side raised question of landing Chinese troops in ports Dalni,<sup>89</sup> Yingkow and Hulutao. Soviet command gave explanation that as according to Soviet-Chinese treaty Dalni is trade port intended for transporting goods but not troops, disembarking of troops must not take place in Dalni. In this connection it was pointed out that ports Yingkow and Hulutao might be used [by] Chinese Govt to disembark its troops.

Chinese Govt. further raised question before Soviet military command in Manchuria of rendering it assistance in disembarking Chinese Govt troops in ports Yingkow and Hulutao and also of transporting troops on Peiping-Mukden railway. Soviet military command replied to this request that in accordance with plan communicated in good time to Chinese side Soviet troops had already been withdrawn from ports Yingkow and Hulutao and also from regions south of Mukden and therefore Soviet command in Manchuria was unable to render requested assistance in these areas.

It has become known here that Chinese command intends in near future to transport its troops to Changchun and Mukden by air. Arrival of Chinese service personnel is expected shortly at Changchun airdrome to receive planes on which Chinese troops will be carried.

Sent Department 4018, repeated Chungking 227, Frankfurt and Tokyo.

[HARRIMAN]

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893.00/12-145: Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 1, 1945—5 p. m.

[Received December 1—11:33 a. m.]

2076. This afternoon Dr. Wang Shih-chieh, Minister Foreign Affairs, gave me top secret memorandum dated December 1 regarding developments in Manchuria subsequent to those mentioned in FonOff memorandum of November 15 (Embtel 1999, November 16 to Dept, repeated to Moscow). Substance of memorandum follows:

Secretary of State was informed in FonOff memorandum of November 15 of course of negotiations between Soviet and Chinese

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<sup>89</sup> Dairen.



Govts which culminated in withdrawal of Chinese Govt personnel to Shanhaikwan from Changchun. (Sent to Dept, repeated to Moscow.) Soviet Govt has since intimated that the way was open for air transportation of Chinese troops to Mukden and Changchun without obstruction or hindrance and that Soviet Govt on its part was prepared to postpone date for completion of withdrawal of Soviet forces from Manchuria, if Chinese Govt so desired, in order to allow time for Chinese troops to take over evacuated territories. Chinese Govt has accordingly agreed to postponement to January 3, 1946 for completion of withdrawal of Soviet forces which originally was by mutual agreement scheduled to be completed by December 3, 1945. Two high ranking officials are now being sent by Chinese Govt to Changchun in order to discuss with Marshal Malinovsky arrangements in detail for transportation by air of Chinese forces and related matters. Chinese Govt in meantime has also notified Soviet Govt that Chinese Govt troops will be transported by rail to Chinchow from Shanhaikwan en route to Mukden for purpose of taking over regions from which Soviet forces have withdrawn already. (Dr. Wang commented orally that area from which Soviet forces have already withdrawn is roughly south of Mukden.)

While it is not unaware of many difficulties still ahead, Chinese Govt in accepting the latest Soviet *démarche* is motivated by earnest desire to reach an arrangement with Soviet Govt for amelioration of the grave situation in Manchuria. (*End substance of memorandum.*)

Dr. Wang remarked that situation in Manchuria was still uncertain as it was not always sure that Russians would live up to their agreements. He said, however, that Chinese Govt intended to exercise patience in hope that eventually lawful occupation of Manchuria would be effected.

Dr. Wang said that he wishes to keep State Dept fully informed of developments in Manchuria.

SMYTH

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893.00 Manchuria/12-145

*Memorandum of Conversation by the Director of the Office of Far Eastern Affairs (Vincent)*

[WASHINGTON,] December 1, 1945.

Participants: Dr. Wei Tao-ming, Chinese Ambassador  
Mr. Acheson  
Mr. Vincent

At the conclusion of the conversation this morning with Ambassador Wei with regard to control machinery for Japan, the Ambassador took the opportunity to explain recent developments in Manchuria. He said that on November 24 the Soviet Ambassador had informed

the Chinese Government (1) that there were no Chinese Communist troops in the vicinity of the cities of Mukden and Chungchun and (2) that the Soviet Government was prepared to guarantee safe landing for troops of the Chinese National Government that might be landed at the airfields at Mukden and Changchun. Ambassador Wei went on to explain that the Russians would delay withdrawal of their troops from Manchuria for one month; that is, to January 3, and that the Chinese could establish ground crews at the air ports to maintain control thereof and facilitate the landing of troops.

The Ambassador was asked whether there were any other provisions to this agreement with the Russians. He replied that he knew of no other provisions.

The Ambassador then asked that the following information be given to the Secretary. In a recent conversation with the Secretary, Dr. Wei had been asked by the Secretary to explain a statement to the effect that the Russians had guaranteed to disarm Chinese forces in Manchuria which were not under the control of the Chinese National Government. Specifically, the Secretary desired to know whether the guarantee was oral or in writing. Dr. Wei had telegraphed his Government for clarification and had received the reply that, in so far as could be ascertained, the statement was made on the basis of a conversation between the Soviet commander in Manchuria and a representative of the Chinese National Government in Changchun.

(A more complete report of the Soviet-Chinese agreement described by Dr. Wei may be found in Chungking's telegram no. 2076, December 1, 5 p. m.)

J[OHN] C[ARTER] V[INCENT]

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893.00/12-645 : Telegram

*The Consul General at Vladivostok (Clubb) to the Secretary of State*

VLADIVOSTOK, December 6, 1945—11 a. m.

[Received December 10—12:40 a. m.]

121. In conversation November 27 Chinese Consul General showed disbelief of then current rumor that agreement had been reached for postponement withdrawal Soviet troops from Manchuria and stated that, if only Soviets would withdraw, National Government could handle Communist problem. Last night he compared Manchuria situation to that in Iran and expressed guarded pessimism regarding outcome present mission Chiang Ching-kuo and Chang Chia-hao to Changchun. (ReConstel 97, October 31, 9 a. m. Department please repeat Moscow.<sup>90</sup>) I offer following comment.

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<sup>90</sup> Repeated to the Ambassador in the Soviet Union as Department's telegram No. 2500, December 11, 8 p. m.

Actual agreement reached between Marshal Malinovski and General Hsiung Shih-hui is reputedly considered by Chungking to be beneficial as giving Government more time to make troop dispositions. Chungking political strategy influenced by factors of world opinion and concern for possible post-war UNRRA aid and American credits patently designed to avoid civil war and if possible attain goal of unification through political means with American and Soviet assistance. Policy, however laudable in principle, weakens government action in respect to Manchuria. In particular the Communists need more time for movement of troops and organization forces there than does government which commands better communications facilities. Granting by Soviets of facilities for air transport Chinese regulars [to] Manchuria is only superficially a Soviet move of cooperation. Benefits gained by Chungking are more than counterbalanced by time gained by Soviets for organization and arming, the efforts of Soviet "partisans" if not of more important organizations, of native Communists or "patriots". If Soviets in Manchuria follow policy used in Iran, they will not permit government's strength to be increased to point where it can deal effectively with insurgents.

Recent statement of Chu Teh is good indication that previous estimate by Chinese ComGen (Constel 107, November 16, 11 a. m.) of probable function those native Manchurian groups, now reputedly headed by Chang Hsueh-shih<sup>91</sup> was correct. It can logically be assumed that current Chinese Communists demand for autonomy for Manchuria will become stronger in time and receive support from Moscow. As Department is undoubtedly aware, plebiscite in Outer Mongolia was performed by what Soviet organ termed "most democratic" procedure, that is, by voter affixing signature or finger print opposite name on ballot in which he voted on question whether he favored or opposed independence Mongolian Republic. It is not to be wondered at that population expressed itself 100 percent in favor. Application of roughly same procedure in Manchuria after Soviet power has solidified there would probably lead to roughly same result. Acceptance finally of that procedure for Sinkiang would probably bring about change of sovereignty there also even if voting were under democratic instead of Soviet auspices. Eastern Soviet cordon, designed to exert influence outward rather than to be unneeded defense bulwark, would then be complete.

Soviets are carrying out program for strengthening their position in Asia. Being already in strong position with respect to Manchuria, they will reach bargains with National Government regarding that area only where USSR is conceived to get the greater benefit. Agree-

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<sup>91</sup> Younger brother of General Chang Hsueh-liang, detained since the end of 1936.

ment by Hsiung was as positive a benefit to USSR as were those of August 14. While present negotiations are in progress Soviet sphere of influence in Manchuria is being given form.

CLUBB

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893.00/12-1045 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 10, 1945—3 p. m.

1965. Chungking report appearing Dec 9 papers here states *inter alia* that Chinese have obtained Russian permission to occupy Harbin, Changchun and Dairen.

Please investigate and report urgently.

BYRNES

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740.00119 PW/12-1145 : Telegram

*Ambassador Edwin W. Pauley to the Secretary of State*

MANILA, [undated.]

[Received December 11, 1945—5:20 a. m.]

I have following personal first hand report from observation in Manchuria. "Russians have removed heavy industrial equipment from Manchuria as well as rolling stock. Estimate 150 locomotives taken by Russians from south Manchuria and 450 coal cars from Hulutao alone as well as every automobile and useable truck. Russians reputed to have removed all equipment from large Chinchow Chemical Plant engaged in extracting kerosene from coal. The ruthless attitude of Russians in Manchuria during their short period of occupation has alienated great sections of the Chinese population. During period of Russian occupation civil administration carried on by Chinese Communists under Russian supervision."

[PAULEY]

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893.00/12-1145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 11, 1945—6 p. m.

[Received December 11—12:30 p. m.]

2144. Upon receipt of Department's 1965, December 10, this afternoon, Embassy made inquiry of Foreign Office. Vice Minister Liu Chieh has now informed us that negotiations are continuing with Russians, with hope of conclusion shortly of agreements on following two matters: (1) transportation by air of Chinese troops to Chang-

chun and Mukden and (2) taking over of administrative organs in Manchuria by Chinese Govt personnel. Liu Chieh said that press report of agreement to land at Dairen was not correct, as sea transportation was not discussed with Russians, and also question of sea transportation would have to be discussed with U. S. authorities. (Sent Dept, repeated to Moscow.)

Liu Chieh informed us that Chinese Govt signed in Chungking today with Soviet Govt an agreement regarding military expenditures of Soviet forces in Manchuria. He said this would not be published but details would be furnished us for transmission to Department.

ROBERTSON

893.00/12-1145

*The Navy Department to the Department of State*<sup>92</sup>

Serial 00138P21

WASHINGTON, 11 December 1945.

The Navy Department has received the following information from the Commander, Seventh Fleet concerning the situation in Manchuria as of 4 December 1945.

General Tu Li-Ming, head of the Chinese Nationalist Army in Manchuria, and whose headquarters are at Chinchow (Latitude 41 degrees, North longitude 122 degrees east) reports that his Army in its advance from Shanhaikwan to Chinchow met little Communist resistance. This advance included the capture of the significant port of Hulutao in Manchuria.

The Nationalist Army has now arrived at the railroad junction at Kupangtzu, 130 miles southwest of Mukden and 30 miles northeast of Chinchow. General Tu indicated that even though his progress be slowed down by unsatisfactory transportation, he could proceed to Mukden with virtually no interference, but that he would not do so until he was sure that the city had been vacated by the Russians.

In order to make his advance to Mukden less difficult, General Tu is in great need of 475 vehicles for placing the cargo on U. S. ships at Hongay; part of his unit, the last group included in an authorized movement, is scheduled to arrive on 23 December at Hulutao. The General is also in dire need of the 25 tons of ammunition which came in Chinese planes from Peking to Chinchow.

General Tu is now planning the immediate capture by one regiment of Yingkow and an advance on other fronts.

In contrast to the Communists of North China, those of Central Manchuria are disorganized and poorly indoctrinated in the principles of Communism, only half-heartedly following Mao Tse-Tung. Chang

<sup>92</sup> Sent by Rear Adm. John L. McCrea of the Office of the Chief of Naval Operations to the Chief of the Division of Foreign Activity Correlation (Lyon).

Hsueh-Siu, younger brother of Marshal Chang Hsueh-Liang, is at the head of the Communist Army, which is supposedly composed of 40,000 troops. General Tu believes his attempts at negotiation with Chang Hsueh-Siu will result in the latter's joining him instead of fighting him.

There is much evidence to the effect that rolling stock and heavy industrial equipment have been removed from Manchuria by the Russians. It is estimated that they took 450 coal cars from Hulutao, 150 locomotives from South Manchuria, and all useable trucks and automobiles. It is also believed that they removed all equipment from a large chemical plant in Chinchow which was engaged in extracting kerosene from coal. The Russians have already made many enemies among the Chinese in Manchuria by their ruthlessness. In the area occupied by the Russians the Chinese Communists have carried on the civil administration under Russian supervision.

On 10 November 1945 the Russians withdrew from the Chinchow-Hulutao-Yingkow area, leaving the Communists in command until 25 November, when the Nationalists arrived. Before the Communists left they sabotaged communication buildings and facilities and razed warehouses and a large chemical plant. It is believed they also planned to destroy a large cotton mill.

General Tu reports that 4,000 armed Japanese troops 100 miles east of Mukden, and another group of 15,000 100 miles southeast of Mukden had escaped to the hills with arms in preference to surrendering to the Russians. General Tu, who hopes to repatriate them to Japan as soon as possible through Yingkow or Hulutao, is conferring with their leaders and has hopes of their early surrender. He also wants to repatriate through Hulutao 45,000 Japanese civilians in the Chinchow-Hulutao area. It is his opinion that most of the Japanese holding industrial jobs in Manchuria can soon be replaced by Chinese.

The large power plant located 100 miles northeast of Chinchow at Pusin is still furnishing power for southern Manchuria and is believed to be under Russian control. It is quite possible that the railroad between Chinchow and Mukden may be destroyed at any time. At the present time, however, it is in fair condition with the exception of one bridge about 30 miles southwest of Mukden which has supposedly been destroyed. The lack of rolling stock has made use of the railroad difficult.

Except for the absence of motor cars, Chinchow appears to be normally active. Civilian activities do not appear to be hindered by the military authorities. On 3 December a 3400-foot airfield was put in operation in Chinchow. According to the Japanese manager of a large cotton mill, the Russians did not destroy the machinery in the mill because the Communists wanted to continue the manufacture of

their uniforms. Those Japanese employed on the railroads and in the mill are still living in the houses they lived in while the Japanese were in control.

JOHN L. McCREA  
*Rear Admiral, U. S. N.*

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893.00/12-1845

*The Navy Department to the Department of State*<sup>93</sup>

WASHINGTON, 18 December 1945.

1. The Navy Department has received the following information from the Commander, Seventh Fleet, concerning the situation in Manchuria and northeast China as of 14 December 1945.

On 11 December the Chief of Staff, 5th Division, 94th Chinese Nationalist Army, departed Chang Chun by plane and returned to Peiping. He reports the absence of Communist troops there. It has been proposed that the 5th Division be given a lift by air to Chang Chun. This proposal is still pending.

Headquarters of the 8th Chinese Nationalist Army are now at West Chiao Hsien.

On 14 December five of six missing planes were found. All were completely wrecked. Attempts will be made to locate the dead and those surviving.

J[OHN] L. McCREA  
*Rear Admiral, U. S. N.*

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893.00/12-2045

*The Navy Department to the Department of State*<sup>93</sup>

WASHINGTON, 20 December 1945.

The Navy Department has received the following information from the Commander, Seventh Fleet, concerning the situation in Manchuria and Northeast China as of 19 December 1945.

The Chinese Nationalist Army has taken Pan Shan. On 17 December the Generalissimo went by plane to Chin Chow. A Russian Army officer from Mukden was in Chin Chow on 18 December to discuss the movement of the Chinese Nationalist Army to Mukden. On the same date General Liu of Chin Chow Headquarters passed through Chinwangtao on his way to Peiping. General Liu indicates that the static condition of the front line of the Chinese Nationalist

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<sup>93</sup> Sent by Rear Adm. John L. McCrea of the Office of the Chief of Naval Operations to the Chief of the Division of Foreign Activity Correlation (Lyon).

Army is due to the Russian request for more time in which to remove troops and equipment from Mukden. General Tu Li Ming orders 500 Nationalist troops to reinforce Chinwangtao.

J[OHN] L. MCCREA  
Rear Admiral, U. S. N.

893.00/12-2045 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, December 20, 1945.

[Received December 20—2: 58 p. m.]

4226. *Pravda* December 19 published N. Y. Tass item December 17 citing AP Peiping to effect that according to authoritative American circles American military aircraft will carry Chinese Central Govt troops to Mukden and Harbin during next 2 weeks.

Sent Dept 4226; repeated Chungking 244.

[KENNAN]

761.93/12-2045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

Peiping, December 20, 1945—1 p. m.

[Received 11 p. m.]

38. Rumors circulating here in official circles are to effect that Sino-Soviet situation in Manchuria has again taken turn and is reported "becoming delicate". Sent to Chungking, repeated to Dept. Previous reports alleging Soviet demands for joint control of heavy industries in Manchuria, although discredited for a time, have been somewhat substantiated by utterances in responsible quarters here where it has also been said that air lift of central troops to Manchuria has again been delayed.

[ROBERTSON]



FINANCIAL RELATIONS BETWEEN THE UNITED STATES AND CHINA: <sup>1</sup> EFFORTS TO ASSIST IN CURBING INFLATION IN CHINA; SHIPMENT OF GOLD TO CHINA; FINANCIAL SETTLEMENT OF YUAN EXPENDITURES BY UNITED STATES MILITARY FORCES; LEND-LEASE QUESTIONS; DISPOSAL OF SURPLUS PROPERTY; EXCHANGE RATES, ETC.

893.51/1-845 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 8, 1945—4 p. m.

40. For Adler <sup>2</sup> from the Secretary of the Treasury.<sup>3</sup>

1. The Chinese Government is strongly urging me to give permission to export on commercial vessels large quantities of gold to China to the extent of \$80 million worth of gold bars and \$100 million of gold tokens. With the arrangements which they are prepared to make with the shipping companies it would be comparatively simple for the Chinese to export another \$100 million or more of gold in the very near future.

2. In view of the current situation in China and of the need of the Chinese for conserving their foreign exchange resources for postwar needs, I have thus far not given my permission to the above requests.

3. I want you to discuss this matter thoroughly with General Hurley and inform me as quickly as possible of his views. [Morgenthau]

STETTINIUS

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893.51/1-1045

*The Chinese Ambassador (Wei) to the Secretary of State* <sup>4</sup>

WASHINGTON, January 10, 1945.

SIR: With reference to the provision of Article I of the Agreement dated February 4, 1941, between the National Government of the Republic of China, Central Bank of China, National Resources Com-

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<sup>1</sup> Continued from *Foreign Relations*, 1944, vol. VI, pp. 824-951.

<sup>2</sup> Solomon Adler, Treasury representative in China.

<sup>3</sup> Henry Morgenthau, Jr.

<sup>4</sup> Receipt of this note was acknowledged by the Secretary of State on January 19.

mission, and the Export-Import Bank of Washington,<sup>5</sup> relative to a loan of \$50,000,000 to the Central Bank, to the effect that advances on account of the loan will not be made to the Central Bank subsequent to December 31, 1941, and with further reference to the provision of the Amendatory Agreements the last of which is dated June 30, 1944, I have the honor to inform you that the Chinese Government has authorized the further extension of that provision of the Agreement to June 30, 1945.

I am instructed to state that the following individuals, as representatives of the several parties to the Loan Agreement above referred to, have been invested with due authority to execute any and all documents necessary or convenient in connection with or to effect the further extension of the above mentioned provision of the Loan Agreement; namely, for the National Government of the Republic of China, Dr. Lee Kan, Commercial Counselor of Chinese Embassy, Washington, D. C., for the Central Bank of China, Hsi Te-mou, Representative of the Ministry of Finance in the United States, and for the National Resources Commission, Yin Kwo-yung, Chief of the New York Branch of the Foreign Trade office of the National Resources Commission. All documents executed by them under this authority will be legally valid under the laws of the Republic of China.

I shall be grateful if you will be so good as to transmit the above information to the Export-Import Bank of Washington, the Metals Reserve Company, and the United States Commercial Company.<sup>6</sup>

Accept [etc.]

WEI TAO-MING

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893.51/1-1745: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 17, 1945—9 a. m.

[Received 1:13 p. m.]

74. To Secretary of Treasury from Adler. Re your 40 of January 8.

1. In a detailed discussion Ambassador Hurley expressed full agreement with your 2. He agrees that there is no advantage from either an economic or political point of view to acceding to China's request. In view of the present situation in China which precludes effective use being made of the gold and in view of large amounts involved, he

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<sup>5</sup> Further details of this agreement are found in a note from the Chinese Ambassador, January 6, 1941, *Foreign Relations, 1941*, vol. v. p. 593.

<sup>6</sup> Copies of the Chinese Ambassador's note were transmitted to these agencies on January 19.

is strongly of the opinion that the very substantial advantages China can derive in the future from her large foreign exchange resources should not be sacrificed for such dubious and nebulous advantages, if any, accruing from the sale of gold now. However, Ambassador Hurley, who also endorsed policy pursued by Treasury with respect to shipment of gold to China in the last year, feels that the same policy should be continued for the time being in order to save China's face.

2. It is suggested that the following among others might be given as convenient reasons for not acceding to the Chinese request:

(a) Your 2.

(b) The tense military, political and economic situation in China which the large-scale sale of gold would in nowise relieve.

(c) The fact that the sale of gold is at best a palliative and a temporary one at that.

(d) The fact that the contemplated sale of gold is not a part of any integrated scheme for tackling China's urgent economic problems, but is merely an isolated measure.

(e) The probability that substantial part of the gold sold would end up in occupied China. (In fact, I learn from reliable sources that this has been the case with respect to past gold sales.)

3. For your information, there is a common feeling in Chungking financial circles that O. K. Yui <sup>7</sup> will not keep his present position much longer. T. V.<sup>8</sup> is maintaining a lively interest in the financial situation.

4. K. K. Kwok <sup>9</sup> informs me that the Central Bank has already sold half a million ounces gold forward at CN <sup>10</sup> dollars 20,000 per ounce. This price is much below what the traffic could bear. [Adler.]

HURLEY

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102.1/2-345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 3, 1945—4 p. m.

183. For Adler from the Secretary of the Treasury.

1. Dr. Kung <sup>11</sup> has informed me that U. S. Army obligations incurred in China during the last three months of 1944 totaled CN\$8.8

<sup>7</sup> Chinese Minister of Finance.

<sup>8</sup> T. V. Soong, Acting President of the Chinese Executive Yuan; Minister for Foreign Affairs.

<sup>9</sup> General Manager of the Central Bank of China.

<sup>10</sup> Chinese national currency.

<sup>11</sup> H. H. Kung, Vice President of the Executive Yuan, with whom the United States Treasury had recently completed negotiations regarding the U. S. Army's yuan obligations in China.

billion and has requested initiation of negotiations for settlement of this amount. Please consult immediately with General Wedemeyer<sup>12</sup> on accuracy of these figures and inform me of any comments which he may wish to make on them or other related matters.

2. If available, also cable immediately Army estimates of U. S. dollar value of actual goods and services received during this period, together with your comments thereon; if not available, please advise whether General Wedemeyer and yourself feel that settlement for this period should be held up until these figures are obtained.

3. You are, of course, to keep Ambassador Hurley fully informed of all details of these negotiations. [Morgenthau.]

GREW

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103.9169[1/2-645] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 6, 1945—11 a. m.

[Received 1:48 p. m.]

174. To Crowley<sup>13</sup> for Willauer<sup>14</sup> from Stanton<sup>15</sup> and Joyner.<sup>16</sup> 1945/46 Lend-Lease requirements as presented by WPB<sup>17</sup> include 17,000 tons cotton textiles for military uniforms and 23,000 tons to be sold for civilian use as counter-inflationary measure to support currency.

Doctor T. V. Soong has expressed to us his strong conviction that this measure is of paramount importance to check present alarming increase in inflationary spiral. Furthermore he considers this and other measures he contemplates should prove effective for that purpose until such time as ports may be open.

We have indicated our doubt that this civilian requirement is lend-leaseable. Dr. Soong urges your favorable consideration but expresses willingness if necessary to make cash purchase. He strongly desires and we recommend high priority.

Dr. Soong recognizes failure of his Government this season in securing entire cotton crop and assures all remedial measures now possible are being taken since his assumption of office.

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<sup>12</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, United States Forces in China Theater and Chief of Staff, China Theater.

<sup>13</sup> Leo T. Crowley, Administrator of the Foreign Economic Administration.

<sup>14</sup> Whiting Willauer, Assistant to the Administrator of FEA.

<sup>15</sup> William T. Stanton, special representative of FEA in China.

<sup>16</sup> Calvin N. Joyner, in charge of the Lend-Lease Section of FEA in China.

<sup>17</sup> Chinese War Production Board.

For his information, please estimate how much of above textile requirements can be made available from American supply.

If textiles not fully available, can raw cotton be supplied as part substitution. China's cotton mills 1945 have capacity 15,000 tons in excess of available cotton. However, import of raw cotton involves not only extra shipping and hump tonnage but also added transportation within China which is even more serious problem.

Please wire fully and urgently. [Stanton and Joyner.]

HURLEY

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102.1/2-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 9, 1945—10 a. m.

[Received February 9—9:43 a. m.]

198. To Secretary of Treasury from Adler:

1. US Army figures reveal gross expenditure of CN dollars 9.1 billion for last quarter, 1944. According to preliminary data, net expenditures totalled CN dollars 7.8 billion after appropriate deductions for tax payments, goods and services paid for by US Army in CN dollars which goods and services it made available to Chinese Army, et cetera. Details of deductions en route to Washington by diplomatic pouch. (Reurtel 183, February 3.)

2. In view of reduction in airfield construction and increase in prices in last quarter of 1944, army estimates show actual goods and services received in that period were from one-half to two-thirds of those in previous quarter. On basis of payment for third quarter of 1944 their US dollar value should average roughly \$10 million per month. This estimate tentative and we feel that settlement should be held up until all data available.

3. Army no rate expenditures<sup>18</sup> are rising rapidly in view of particularly swift advance in prices since beginning of year. This fact should be kept in mind in negotiations for settlement of next quarter of 1944.

4. Am in constant contact with General Wedemeyer and General Olmsted<sup>19</sup> and we are in complete agreement. Am keeping General Hurley fully informed. [Adler.]

HURLEY

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<sup>18</sup> Expenditures of yuan turned over to the Army by China at no fixed rate of exchange.

<sup>19</sup> Brig. Gen. George Olmsted, Assistant Chief of Staff, G-5 (Civil Affairs Officer), United States Army Headquarters in China.

124.936/2-2745

*Memorandum by the Second Secretary of Embassy in China  
(Boehringer)* <sup>20</sup>

[Extract]

[CHUNGKING,] February 20, 1945.

The twelfth weekly meeting of representatives of U. S. agencies in Chungking was held at the Embassy at 10:30 a. m., February 20, 1945. Mr. Atcheson, Chargé d'Affaires a. i., presided over the meeting which was attended by the following:

After he had introduced Mr. Meiklejohn,<sup>21</sup> Mr. Atcheson called on Mr. Adler to discuss the inflationary trend in free China. Mr. Adler stated that the rate of increase in prices in 1944 compared with 1943 was not very marked but that the rate of increase in early 1945, which was partly seasonal, was disturbing and was much greater than in early 1944. He stated that, according to preliminary reports, the increase in prices in Chungking since the beginning of 1945 was about 50 percent while the increase in Kunming was nearly 100 percent. Mr. Adler went on to say that the rate of increase in the Chinese currency note issue advanced sharply toward the end of 1944. He said that up to the end of 1942 the expansion in the note issue and budgetary expenditures coincided but that since then the expansion in note issue had exceeded the budgetary deficit. He said that the actual budgetary deficit during 1943 approximated CN\$2.5 billion a month but that in 1944 this figure had increased to between CN\$8 to CN\$10 billion and was liable in 1945 to reach CN\$20 billion per month.

Mr. Adler stated that the effects of the inflation had become cumulative and that further increases in note issue and budgetary deficit would increase the strain on free China's economy. He said that the positive factors unfortunately were external and that the increasingly favorable war news and appreciation of approaching victory had a good psychological effect.

He said that the inflation had produced an epidemic of hoarding, characterized not only by large scale but also by small scale hoarding, and that the small scale hoarding was considered significant as indicating the general psychological attitude of the Chinese people towards their currency. He stated that, as the hour of victory approaches, the Chinese may commence to dehoard and that this was all

<sup>20</sup> Copy transmitted to the Department by the Chargé in China (Atcheson) in his despatch No. 181, February 27; received March 17.

<sup>21</sup> Norman Meiklejohn, Chief of the Intelligence Section, Foreign Economic Administration in China.

to the good. He said that, contrariwise, dehoarding might cause popular confidence in the currency to deteriorate further and might actually intensify the flight from the currency.

Mr. Adler stated that the expansion of the note issue was the predominant method adopted by the Chinese Government for the purpose of acquiring a significant part of its national income with which to operate. He said that the Chinese inflation represented a simple and crude form of currency inflation and that in an industrialized country it would be far more dangerous than in China which was composed largely of atomistic, agricultural economic units. He said that the centering of Chinese economy in villages and rural areas had heretofore retarded the diffusion of inflation. Mr. Adler said that more and more evidence was available to show that the diffusion of inflation in free China had become more rapid. He said that prior to 1943 prices in all cities, with the exception of Kunming, lagged behind those in Chungking but that since 1943 this was no longer the case although there was still considerable divergence in prices in various parts of free China.

Commenting on price trends, Mr. Adler stated that prices in Chungking were now anywhere from 600 to 1,000 times higher than in 1937 and that, in contrast, prices in Kunming were now approximately double those in Chungking. He said that such a difference in prices in two cities would be inconceivable in the United States because of its highly developed transportation system. He said that, just because Chinese economy was not unified, price data could not be so accurate as in a more advanced country and that there existed no single index which approximately reflected the situation in the country as a whole. Mr. Adler concluded his remarks by stating it was impossible to see anything favorable in the internal financial position of free China.

General Olmsted stated that General Wedemeyer, the Theater Commander, was very much concerned over the inflationary situation which, he said, constituted almost as great a threat to U. S. Army operations in China as the Japanese. He said that in 1945 the U. S. Army would probably purchase locally between 100,000 to 200,000 tons of goods per month, consisting primarily of alcohol and foodstuffs and including supplies for the U. S. Army sponsored Chinese divisions. General Olmsted went on to say that the U. S. Army Headquarters here had done some preliminary thinking about a plan, the details of which would be discussed with the Embassy, whereby the Army would send representatives to rural areas to barter such consumers' goods as cotton cloth for certain necessary supplies, especially foodstuffs. He cautioned against premature discussion of the plan and stated that, *inter alia*, the U. S. Army would like to use articles for barter which would stimulate dehoarding.

In response to a question by Dr. Sumner<sup>22</sup> whether there was any tendency on the part of the Chinese Government to use more direct methods for price control, Mr. Adler said that such a tendency did exist some time ago and that he considered it to be injurious and irrational because price control without adequate rationing was impossible of enforcement in free China.

CARL H. BOEHRINGER

103.9169[1/2-2645] : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, February 26, 1945—5 p. m.

[Received February 27—1:50 p. m.]

302. To Crowley for Cox<sup>23</sup> and Willauer from Stanton and Joyner. Following facts are called to attention in connection with China urgent need for counter-inflationary purposes of large quantity cotton textiles with delivery commencing immediately. Our 174, February 6; your 274, February 17.<sup>24</sup>

1. Inflation during 1945 has dangerously increased. Comparative index for December 640, now probably over 1,000.

2. Increased Chinese Army pay and improved rations imposing great increase in Government's monthly deficit.

3. United States Army expenditures in China also obviously increase this deficit in national currency.

4. No substantial increase possible Government's income and Dr. Soong assures Government's non-war expenditures now drastically curtailed.

5. Unless successful anti-inflationary measures very soon made effective, China's price structure will deteriorate so as to prejudice United States Army 1945 program in China.

6. Two thousand tons monthly of cotton textiles to be bartered by United States Army for supplies and/or sold by Chinese Government to absorb currency can prove effective assistance this regard. Only cotton cloth can receive necessary wide distribution to prove effective.

We ask your assistance to secure highest possible priority to obtain and ship cotton textiles as follows:

*a.* For cash purchase 15,000 tons delivery in United States 1,500 tons monthly commencing March.

*b.* Under Lend-Lease 7,000 tons for military requirements with delivery 1,000 tons monthly commencing April.

<sup>22</sup> John D. Sumner, Economic Adviser to the Embassy.

<sup>23</sup> Oscar Cox, Deputy Administrator of the Foreign Economic Administration.

<sup>24</sup> Latter not printed.



Headquarters here is cabling War Department and Treasury Attaché<sup>25</sup> here [is] calling [*cabling*] Treasury<sup>26</sup> supporting this program. Dr. Soong advises Ambassador Hurley carries letter<sup>27</sup> thereon from Generalissimo<sup>28</sup> to President.

Reference your 274, February 17,<sup>29</sup> used garments not suited market requirements here while raw cotton because of transport difficulties only suitable as and if Indian spindles available which seems unlikely but Dr. Soong enquiring.

Headquarters here particularly requests no publicity. [Stanton and Joyner.]

ATCHESON

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102.1/3-1145 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 11, 1945—9 a.m.

[Received March 12—2 p. m.]

401. To the Secretary of Treasury from Adler (for Treasury only). Present gold situation.

1. Government is now relying on sales of gold and 6-month gold deposits as main source of revenue. Receipts from such sales in January and February were CN 14 billion (plus 20% of that sum from compulsory purchases of 3-year Treasury certificates by gold purchasers), which is substantially in excess of receipts from taxation in same period. It will be noted that less than 25% of receipts from gold sales were from spot sales and that by far the larger part were from 6-month gold deposits. Central Bank's short position on gold is now approximately one million ounces.

2. While Government is now selling gold it largely does not have on hand, at rate of 350,000 ounces per month or United States \$105,000,000 per annum, receipts from gold sales, including compulsory purchases of treasury certificates, total barely 25% of current monthly deficit. And this deficit is not going to diminish during course of year. Therefore, if Government wishes to maintain in current ratio of receipts from gold sales to monthly deficit it will either have to increase price of gold or increase gold sales or both.

3. The reckless Government conduct of its gold sales policy can only be described as "frenzied finance".

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<sup>25</sup> Solomon Adler.

<sup>26</sup> Embassy's telegram No. 303, February 27, 8 a. m., not printed.

<sup>27</sup> Dated February 17, not printed.

<sup>28</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>29</sup> Not printed; it suggested shipment of 15,000 tons of raw cotton and large quantities of used clothing to help meet China's textile requirements (103.9169[2-1745]).

(a) It has been and is selling gold at an absurdly uneconomic price. The official pretext that price cannot be raised without an adequate supply on hand does not hold water. While official price of gold has been maintained, black market price has risen to CN dollars 39,500 per ounce; also witness the heavy purchase of 6-month gold deposits at end of February due to rumor that official price was to be raised at beginning of March. Official claim that raising price of gold would push up general prices still further cannot be taken seriously at a time when prices are skyrocketing in any case.

(b) It is dissipating China's foreign exchange assets, which she will badly need at war's end, at current rate of United States \$150,000,000 per annum without significantly affecting economic situation. In fact, since inflation has now entered snowball phase, future sales of gold at current rate will have even smaller effects as brake on inflation.

(c) Part of the gold is finding its way into occupied China. [Adler.]

ATCHESON

893.51/3-1345

*Memorandum of Conversation, by the Chief of the Division of Chinese Affairs (Vincent)*

[WASHINGTON,] March 13, 1945.

Dr. Arthur Young, Adviser to the Chinese Government on economic and financial matters, called on me Saturday (March 10). In the course of the discussion he mentioned the matter of gold shipments to China. He said that through its sales of gold the Chinese Government had been able to call in 34 billion Yuan. Actual sales, as I recall it, accounted for something over 20 billion Yuan and forward sales to something less than 15 billion. He felt that this was a very commendable record in connection with China's attempt to retard inflation.

Dr. Young said that the Chinese (he specifically mentioned Dr. Kung) were very anxious to increase gold shipments; that forward sales had made the matter particularly urgent; that if gold in increased amounts were not received the black market price of gold might get out of hand; but that the chances of obtaining increased shipments did not seem to be encouraging.

He mentioned an exchange of correspondence (or perhaps it was a conversation) between Secretary Morgenthau and Dr. Kung.<sup>30</sup> The

<sup>30</sup> See letter of July 24, 1943, from the Chinese Ambassador to the Secretary of the Treasury, quoting Dr. Kung's message to the Secretary dated July 23. *Foreign Relations, 1943, China*, p. 437; see also Department's telegram No. 1005, July 31, 1943, midnight, to the Chargé in China, summarizing Mr. Morgenthau's reply to Dr. Kung, *ibid.*, p. 439.

Chinese apparently were not encouraged by the Secretary's statement that he would do what he could to obtain War Department allocation of increased space for gold shipments to China.

Dr. Young said that he was loath to interject himself into the matter by calling on Harry White<sup>31</sup> (I had suggested that he do so). I told him that there was nothing that I could usefully do; that we had previously indicated that there was no political objection to the Treasury Department's agreement to ship gold to China; and that there the matter stood. The problem of space allocation seemed to me to be one which the Treasury would have to work out with the War Department.

Comment: My conversations with Adler (before he left for China), with Irving Friedman<sup>32</sup> and with Harry White of the Treasury have indicated to me that the manner in which the Chinese Government is disposing of gold does not warrant efforts to increase the rate of gold shipments. Some time ago Harry White called me to say that while the Treasury would continue to show itself cooperative with the Chinese in the matter of gold shipments, it did not feel that the situation warranted special efforts to increase shipments. He asked me whether I perceived any objection to his stand in the matter. I told him I did not.

J[OHN] C[ARTER] V[INCENT]

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102.1/3-1745 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 17, 1945—10 a. m.

[Received 11:50 p. m.]

453. To Secretary of Treasury from Adler.

1. United States Army no-rate in dollars expenditures. Advances by Chinese Government January 3 billion, February 4 billion, while actual disbursements by Army disbursing officers were 2.6 billion in January and 2.19 billion in February for engineering commission to be expended for United States Army construction and operations but actual expenditures not yet known.

2. Fonanu Engineering Commission expenditures for United States Army between 5 and 6 billion. [Adler.]

ATCHESON

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<sup>31</sup> Harry Dexter White, Assistant Secretary of the Treasury.

<sup>32</sup> Irving S. Friedman of the Division of Monetary Research, Treasury Department.

893.51/4-745 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 7, 1945—8 a. m.

[Received 2:32 p. m.]

585. Leon Henderson,<sup>33</sup> who arrived March 25, is returning to United States with T. V. Soong and will probably have opportunity at Cairo to talk with Ambassador Hurley. Henderson appears in very short time to have obtained comprehensive and accurate picture of situation here and of numerous and varied facets of the problem before him. As a result of his survey, he is considering recommending to the Generalissimo that there be set up in the Chinese Government a powerful committee or secretariat on the lines of the British War Cabinet secretariat or our OEM<sup>34</sup> to guide and coordinate appropriate activities of various Government agencies such as Communications Ministry (in connection with transport control) and Food Ministry. As envisaged, this organization would have an American of a stature similar to Henderson's as chief advisor and competent American advisors for such fields as price control, governmental budget, taxes, et cetera. As regards price control, we believe Henderson understands thoroughly that there is lacking here, among other things, both the governmental administrative machinery for operation of such control and A-1 officials, merchants and the public, the will to make such controls effective. Henderson's planned efforts in this direction may therefore be limited to some essential commodities as suggested in memorandum summarized in our 533, March 29, 2 p. m.<sup>35</sup>

Henderson is also recommending more efficient check on government receipts and expenditures for which purpose he also hopes to obtain American advisors. He seems confident that T. V. Soong will strongly back his recommendations with the Generalissimo and will support more effective delegation of economic powers than now exists. We consider Henderson's visit has already served a very useful purpose and that his ability, energy and evident sincerity of purpose have favorably impressed all Chinese officials encountered. Adler, Kearney<sup>36</sup> of Chinese WPB and Joyner agree that his recommendations are sound and merit our support.

Repeated to Cairo together with our 533, March 29, 2 p. m.

ATCHESON

<sup>33</sup> American adviser to the Chinese Government on combatting inflation.

<sup>34</sup> Office for Emergency Management.

<sup>35</sup> Not printed.

<sup>36</sup> A. T. Kearney, American adviser to the Chinese War Production Board.

893.51/4-1245

*The Chargé in China (Briggs) to the Secretary of State*

No. 293

CHUNGKING, April 12, 1945.

[Received April 25.]

SIR: I have the honor to refer to the Embassy's telegram no. 533, March 29, 2 p. m.,<sup>37</sup> regarding a program for retarding Chinese inflation drawn up by Mr. Solomon Adler, Treasury Attaché, in collaboration with Brigadier General George Olmsted, Assistant Chief of Staff, G-5, United States Army Headquarters, and Mr. Calvin N. Joyner, Acting Special Representative of FEA.

There is now enclosed a copy of Mr. Adler's memorandum dated March 19, 1945, a summary of which, and the Embassy's comments thereon, were given in the reference telegram.<sup>38</sup> The suggested program was discussed in detail by its authors with Dr. T. V. Soong, Foreign Affairs Minister, Dr. O. K. Yui, Finance Minister, and other influential Chinese, as well as with Mr. A. T. Kearney, Deputy of Mr. Donald M. Nelson,<sup>39</sup> and with the Embassy. According to Mr. Adler, the Chinese at first objected to the recommendation that the anti-inflation program should precede and be divorced from any currency stabilization plans, but later withdrew their objections after Mr. Leon Henderson expressed his views on the subject.

Mr. Henderson is understood to have expressed general approval of Mr. Adler's program and the measures proposed therein. The Embassy's comments on Mr. Henderson's visit were reported in telegram No. 585, April 7, 8 a. m.

Respectfully yours,

ELLIS O. BRIGGS

[Enclosure]

*Memorandum by the Treasury Representative in China (Adler)*

## A PROGRAM FOR RETARDING THE INFLATION IN CHINA

I. *The magnitude of the problem.*

1. Prices are now well over 1,000 times their 1937 level and are rising at a rate of not less than 25% per month. The rate of increase in prices continues to gather momentum.

<sup>37</sup> Not printed.<sup>38</sup> In this telegram, the Embassy reported its belief that the "program is basically sound and that vigorous implementation by Chinese Government would probably be very helpful, if not definitive, in present situation and would undoubtedly result in considerable improvement in current Chinese attitude of resignation and helplessness in the face of rising inflation." (893.51/3-2945)<sup>39</sup> Personal Representative to China of President Roosevelt, Mr. Nelson headed a group of American technical experts known as the "Nelson Mission" which helped establish the Chinese War Production Board in November 1944 and thereafter served as the "American Production Mission" to advise that body. For further documentation on this subject, see pp. 1425 ff. See also *Foreign Relations*, 1944, vol. VI, p. 247 ff.

2. The net deficit—i. e. expenditures minus revenues from taxation and receipts from gold sales—averaged between CN\$20 and 25 billion per month in the first two months of 1945. If past experience is any guide, even assuming no sharp increase in the virulence of the inflation, the net monthly deficit will reach CN\$50 billion by the end of the year.

3. The average monthly expansion of note circulation in January–February was almost CN\$20 billion. In existing circumstances, it is bound to keep pace with the net monthly deficit.

4. The inflation has already reached the stage where there is gross distortion of the price structure and where barter forms of conducting business and making payments are resorted to more and more frequently. The demoralization of the administrative apparatus and a further diminution of confidence in the currency are inevitable concomitants of this process.

It is clear from the above that the inflationary situation has reached such advanced stage that:

*a.* There is no simple panacea which will bring the inflation to a halt.

*b.* No one palliative measure will by itself exert any significant retarding influence on the inflationary process. Thus, the pouring out of gold unaccompanied by any other measures would be merely throwing “chicken feed into the maw of the dragon” of inflation.

The inflation is already seriously impeding China’s war effort and the operations of the US Army in China. And if it continues apace, the military effort will be positively endangered by the threat of disintegration. We are committed to do all we can to mobilize the China Theater in order to hasten the defeat of Japan and to save American lives. The problem of the Chinese inflation is, therefore, immediately relevant to the American war effort in the Far East. We cannot ignore it, and we must consider all the possibilities for effective action designed to retard the rate of deterioration in the Chinese economic situation. Such action, even if only moderately successful, would directly assist us in the war against Japan, quite apart from other longer range considerations. It will have to be many-sided and to be waged on the goods front and the money front simultaneously. A program comprising a combination of measures to be applied as soon as possible is outlined below.

## II. *The Program.*

1. The abolition of price control, except perhaps for a few strategic commodities whose supply and distribution are comparatively centralized. This measure is essential if production, both agricultural and industrial, is to be increased and if the wheels of commerce are

to move more smoothly. In the long run it will assist in retarding the increase in prices and in diminishing hoarding; it will also enable the government to curtail unnecessary staff.

The attempts at price control in the last few years have been unsuccessful: they have resulted in a decrease in production, as in the case of cotton, and an increase in hoarding and in the size of the government bureaucracy. The abolition of price control is, therefore, indispensable to an anti-inflation program.

With the adoption of this measure, it may be advisable for the government to pay its officials increasingly in kind. But as this tendency is growing in prevalence, no excessive complications should ensue.

2. Anti-hoarding measures. Drastic action against public and private hoarding must be adopted.

*a.* Public hoarding.

(1) Where government enterprises stock materials or have machinery needed by private firms engaged in the production of war and essential goods and which the government institutions are not using or are not likely to use in the near future, they should immediately be made available to private enterprise on reasonable terms. No vested interests should be allowed to interfere with this process, without which the work of the War Production Board will be seriously handicapped.

(2) Government institutions such as the Ministry of Food or the Cotton Yarn Administration (the need for the existence of the latter should be reconsidered) should be discouraged from holding on to supplies for as long as possible. They should throw their supplies on to the market, particularly where there are local shortages and where such action would serve to bring out private hoards.

*b.* Private hoarding. Measures to curtail private hoarding will constitute one of the most difficult and at the same time most crucial parts of the program. Penal measures including confiscation and imprisonment will in all probability be necessary. Little if anything will be gained by going after the small offenders, and efforts should be concentrated on the big hoarders of food and essential consumers' goods.

3. The import of cotton textiles (and later when logistics permit other key commodities) should be expedited. The inflow of such imports will increase both the supply of goods and government revenues, and thereby reduce the need for expanding note issue. The urgency of the need for textiles cannot be overemphasized and everything possible must be done to assure their inflow in the near future.

4. Continuance of the sale of gold with a drastic revision of gold sales policy.

*a.* The policy of pegging the price of gold at an artificially low level—it is now less than 50% of the black market price—must be abandoned. There is every reason why the Government should get

the maximum benefit in receipts from gold sales and no reason why some of the benefit should go to speculators.

*b.* Gold must not be sold indiscriminately. It must be an objective of sales policy to keep the price of gold in fairly close relationship with the trend of general prices; otherwise the sale of gold will become a losing proposition subject to rapidly diminishing returns.

*c.* In order to tap a wider market and to ensure wider distribution, gold should be sold—or at least part of it—in much smaller unit weights than at present. For this purpose, token coins weighing  $\frac{1}{4}$ ,  $\frac{1}{2}$ , and 1 ounce should be sold and also be used as indicated in *d.*

*d.* Gold should not only be sold direct to the public but also used for meeting current government expenditures. When so used, its value should be calculated at the current market price.

The effects of such a gold sales policy as an integral part of a broad anti-inflationary program might well be considerable and serve to keep the net monthly deficit within manageable proportions. But to rely on gold sales alone would be futile. Gold sales by themselves will not reduce monthly expenditures and may raise only a small proportion of the monthly deficit. If expenditures and prices keep mounting at present rates, it would require an enormous amount of gold to make a dent on the deficit. Nobody knows when the saturation point in the demand for gold, at prices making it worthwhile for the Government to sell, will be reached. And China's foreign exchange assets are too valuable for her to waste them.

5. Reform of the Government Administration. An excellent start has already been made in this direction, which should be continued by the abolition and fusion of redundant government agencies and further reduction in the number of government employees.

#### 6. Fiscal Reform.

*a.* All expenditures on projects which are not likely to yield immediate returns should be drastically pared.

*b.* The procedure of tax collection must be revised. It is difficult for the tax collecting officials to be honest when their salaries are insufficient to cover living expenses. Their salaries must be raised, but at the same time greater efficiency and honesty in tax collection must be enforced. Greater use should be made of the Customs officials in this connection. This measure alone should result in a substantial increase in revenues.

*c.* At the same time, parallel measures must be applied to the disbursement of expenditures.

*d.* The tax structure should be simplified. Again, an excellent start has been made so that the part to be traversed is not an untrodden one.

*e.* Existing direct taxes should be more efficiently collected and direct taxes on the higher income brackets increased. Many speculators and hoarders have made profits which have often escaped scot free. Taxes based on capitalization several years old are bound to be nominal when prices are rising so rapidly.



The effective application of these measures would undoubtedly produce a sizeable improvement in the budgetary picture.

7. Continuance of the start made by the W.P.B. to increase production.

8. Reduction in the size of the Chinese Army. This measure has everything to commend it both from a military and an economic point of view.

### III. *Should the Anti-inflationary Program include a Plan for Currency Stabilization?*

While detailed plans preparing for the resumption of foreign trade and for the replacement of puppet currencies by *fapi*<sup>40</sup> in occupied areas as they are reconquered should be drawn up as soon as possible, there would appear to be a strong case against tying up even the first phases of a currency stabilization program with an immediate anti-inflationary program.

1. The question of the level at which the external value of *fapi* should be fixed is still problematic. Any decision made now is bound to be arbitrary in the nature of the case. At the same time, the adoption and enforcement of an anti-inflationary program is so urgent that it cannot be made to await the time when a rational decision can be made as to the external value of *fapi*.

2. Even more important, the conditions under which internal stabilization can be achieved are still remote from attainment. While the process of attaining internal financial and economic stability cannot be deferred until the establishment of budgetary equilibrium (which of course will be the end-product of the process), one of the pre-conditions of a successful stabilization program is a budgetary situation in which the gap between expenditures and revenues plus genuine borrowing is much narrower than it is at present. In other words, until there are definite prospects for a reduction in government expenditures and for an increase in government revenues, it is idle to talk of currency stabilization. The success of the anti-inflationary program combined with the reconquest of a substantial part of occupied China would be the best contribution that could be made in present circumstances for making possible the initiation of a currency stabilization plan. In fact, it is not too much to say, a broad anti-inflation program is the first step toward the inauguration of currency stabilization.

3. Currency stabilization should be deferred until there has been time to replace most of the puppet currency in circulation with *fapi*.

4. Finally, stabilization is going to be a painful and costly process. It would be a mistake to start it before the time is ripe to ensure

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<sup>40</sup> Chinese national currency.

success. For failure will make ultimate stabilization still more difficult and costly.

[CHUNGKING,] March 19, 1945.

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893.50/4-1745

*Memorandum of Conversation, by the Secretary of State*

[WASHINGTON,] April 17, 1945.

Dr. T. V. Soong, Foreign Minister of the Republic of China, called upon me this afternoon at his request. He had lost about thirty pounds but seemed well. He told me that he had been under a great strain for the last year.

Dr. Soong had a very frank talk with me relative to the economic needs of China. He stated that the Chinese government needed assistance in the form of gold and also needed clothing and transportation equipment. He said there would be enough food to prevent starvation.

He stated that if we could help them with transportation and food and monetary stabilization he was confident the Generalissimo's Government would stay in power.

Dr. Soong mentioned in confidence that there was no doubt in his mind that the Chinese Communists were under the domination of the Communists of the Soviet Union.

(Mr. Clayton<sup>41</sup> joined us at this point.) I told Mr. Clayton that I felt it would be best for Dr. Soong to bring to the Department a program for the economic needs of China. When the program is presented to the Department a memorandum could be submitted to President Truman summarizing it and advising him that the Department was taking the lead in arranging for its consideration by other interested agencies.

E[DWARD R.] S[TETTINIUS, JR.]

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893.50/4-2145

*The Chinese Minister for Foreign Affairs (Soong) to the Secretary of State*

[WASHINGTON,] April 20, 1945.

DEAR MR. STETTINIUS: Enclosed please find two copies of my memorandum requesting American assistance in meeting our economic difficulties.

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<sup>41</sup> William L. Clayton, Assistant Secretary of State for Economic Affairs.

In discussions which my colleagues have had in the past with the government agencies here, they sometimes found either a failure to appreciate the urgency of the situation or, if they did understand, the fatalistic belief that nothing could be done to hold the line.

For these reasons, my memorandum is longer than I originally intended, but I hope you will have time to go through it and give it your usual kind assistance.

Yours sincerely,

TSE VUN SOONG

[Enclosure]

*Memorandum by the Chinese Minister for Foreign Affairs (Soong)*

[WASHINGTON, undated.]

After eight years of war and blockade, China is in the throes of galloping inflation. The rate of inflationary increase reached within the past few months is so alarming that it threatens the very stability of government. Unless effective counteractions are taken immediately, the authority of the Chinese Government, and the future of the joint Sino-American military operations in the China Theatre, will be inevitably stymied. General Wedemeyer, Ambassador Hurley and the U. S. Army and Embassy staffs in Chungking, Mr. Donald Nelson and the representatives of the W. P. B. and F. E. A. in China are fully aware of the gravity of the situation.

There are, however, some relatively simple measures which we confidently believe can bring an immediate improvement in the inflationary situation. This is by adoption of a 3-point program, viz., (a) the sale of gold, (b) a modest amount of textiles and other consumer goods, and (c) a limited number of trucks for internal transport as will be presented hereinafter.

The direct cause of the difficulties has been, of course, the huge and steadily increasing budgetary deficits arising from the war. These averaged between CN\$25,000,000,000 to CN\$30,000,000,000 a month for the first two months of 1945 and have necessarily been met by the inflation of currency and credit. Note circulation without backing is increasing at the rate of CN\$20,000,000,000 a month.

The inflationary pressure has been further compounded by an acute shortage of goods because of the enemy blockade, the loss of resources, the limited capacity to produce and the fast-developing distrust of the currency which reflects itself in hoarding and speculation. Prices are now between 1,500 and 2,000 times their pre-war level and are increasing at the rate of 30 per cent a month.

This has increased the difficulty of local procurement of military supplies in China. Since approved military plans call for more, not

less, supplies from China's slender resources, it is imperative that inflation be prevented from paralyzing the war effort.

Under such circumstances, while the funds for the American army expenditures advanced by the Chinese Government have doubled in the last three months, averaging CN\$7,000,000,000 to CN\$8,000,000,000 a month the real purchasing power of even the United States dollar has rapidly dwindled.

Deeply concerned with the implications of the ruinous inflation and keenly anxious to stave off its grave consequences the Chinese Government has recently taken strong measures in an attempt to bring the situation under control. Many Government offices have been abolished outright and services that do not bear directly on the war effort have been drastically curtailed. The Army, which directly or indirectly is responsible for over 90% of the budget expenses, has been reduced from 5,300,000 to 4,800,000 and is being reduced monthly to reach the final figure of 3,500,000 men by the end of September this year. This reduction has been made so that the soldiers could be better fed and equipped in preparation for the counter-offensive, which will be spearheaded by American equipped and trained Chinese armies. In addition, with technical personnel available from abroad, China is prepared to apply measures of administrative reforms, strict budgetary control, increased revenue, closer supervision over banking institutions and business units, more effective use of transportation facilities, and a rationalization of price control.

But it is overwhelmingly clear that all these measures could not prove effective unless in the meanwhile, as an organic part of the plan, inflation is retarded.

The Chinese Government therefore requests immediate aid from the United States in the following directions:

1. *Gold.* In the summer of 1943 President Roosevelt agreed, with the knowledge of the Secretary of the Treasury, that \$200 million of the \$500 million U. S. loan to China would be made available in gold. So far only \$7 million of the \$200 million has been shipped, and the Chinese Government forward sales of gold are rapidly falling due. Unless gold is shipped immediately to fulfill commitments beginning in May, which the Chinese Government made on the strength of the U. S. Government promise, there will have to be a default. In a few months, the sales of gold have realized for the government CN\$44,300,000,000, thus absorbing surplus cash which might otherwise have accelerated inflation and commodity speculation. The continued sales of gold will be the most important single factor in blotting up large issuance of banknotes. The U. S. Government is therefore requested to implement the late President's promise by making immediately available the balance of the \$200 million gold.

2. *Cotton Piece Goods and Other Essential Supplies.* The shortage of certain essential goods due to the long blockade also has been, and continues to be, a basic factor in inflation. A relatively small amount of tonnage, say 4,000 to 5,000 tons monthly from all sources and of all categories of goods will greatly relieve the shortage. Accordingly, it is requested that the U. S. Government make available to China cotton cloth, medicines, certain indispensable chemicals, and other essential items.

Cotton cloth is specially important to China. Japanese attacks have forced the Chinese Government to fall back on the Western part of the country which is predominantly a farming community. Here an acute shortage of clothing exists, as evidenced by the fact that clothing prices are double the general retail price level. Cotton cloth is required to exchange for local food stuffs which are indispensable to the military personnel, and to break prices in certain military areas.

Specifically, the U. S. Government is requested to move up the W.P.B. priority for Chinese cotton requirements of 3,000 tons monthly in order to insure early delivery. It is recognized that a world-wide shortage of cotton goods exists, but, while the war in Europe cannot be lost through a deficit of cotton goods, the war yet to be won in China will be materially affected by their supply.

3. *Transportation Facilities.* Up until a month ago there remained only 4,000 trucks operating in all of Free China. The U. S. Government has agreed to ship into China 15,000 trucks, but most of these will be used for military purposes, so it is requested that an additional allotment of trucks be made available to replace the worn-out trucks which are running on borrowed time.

In connection with the above measures it cannot be over-emphasized that the situation is urgent, and time is of the essence. From the economic and military standpoint the next six months are the most vital and it will be the months of July, August and September when the attack on inflation should already be in full swing.

Finally, it should perhaps be emphasized that it is no part of our intention to solicit loans or credits. We are asking for an implementation of the late President Roosevelt's promise with respect to gold, a top priority allotment for cotton goods, and some additional replacement trucks for the transportation of essential civilian supplies within China.

It is realized that the supply of gold, cotton goods and other essential supplies, which could be transported over the Hump, will not be sufficient to break inflation. However, these supplies, taken together with administrative and financial reforms, will slow down the present alarming acceleration of the inflationary process, especially in the critical areas along the military lines of communications until relief can finally come with the opening of a port in China.

893.50/4-2145

*The Secretary of State to the Chinese Minister for Foreign Affairs (Soong)*

WASHINGTON, April 21, 1945.

DEAR T. V.: Thank you for your note of April 20th enclosing a memorandum on the needs of China for American economic assistance. I shall see that it is given immediate attention in the Department and it is brought promptly to the attention of the President.

With best wishes [etc.]

E. R. STETTINIUS, JR.

893.61311/4-2845

*The Ambassador in China (Hurley) to the Secretary of State*

No. 346

CHUNGKING, April 28, 1945.

[Received May 12.]

The Ambassador has the honor to enclose, for the Department's information, a translation of a formal note dated March 24, 1945 from Dr. T. V. Soong, Minister for Foreign Affairs, stating that the Chinese Government has made complete settlement of the U. S. Wheat Loan to China of September 1931<sup>42</sup> and of the U. S. Cotton and Wheat Loan to China of May 1933.<sup>43</sup>

[Enclosure—Translation]

*The Chinese Minister for Foreign Affairs (Soong) to the American Chargé (Atcheson)*

[CHUNGKING,] March 24, 1945.

SIR: With reference to the Wheat Loan and the Cotton-and-Wheat Loan granted to the Chinese Government by the American Government in September 1931 and May 1933 respectively, I have the honor to state that the entire principals and interests accrued therefrom have been reimbursed in full by the Chinese Government, as is a matter of record.

<sup>42</sup> The 1931 agreement involved the sale to the National Government of China of 450,000 short tons of wheat or wheat flour by the Grain Stabilization Corporation with the approval of the Federal Farm Board. Payment was effected through obligations of the Chinese National Government. The terms of the agreement were made public on September 26, 1931, by the Federal Farm Board in its press release No. 2-96 (893.48/403).

<sup>43</sup> The 1933 agreement signed on May 29 provided for a Reconstruction Finance Corporation loan of \$50,000,000 to finance the sale of American cotton and wheat to China. The details of the agreement were given in a press release issued by the RFC on June 4, 1933 (893.48/708).

As regards these two loans, the Chinese Government in September 1931 entered into an agreement, for flood relief, with the United States Department of Agriculture for the purchase of American wheat, under the terms of which 450,000 tons of American wheat or wheat flour were to be purchased from the American Grain Price Equalization Corporation valued at US\$9,212,826.56, against which sum payment was to be made, with an annual interest of four per cent, at the end of June and December of each year, each time refunding one-third of the total amount. This was known as the American Wheat Loan.

In May 1933, because of the large quantity of raw materials required by Chinese textile and flour mills in the interior, a Cotton and Wheat Loan for US\$50,000,000 was obtained from the American Reconstruction Finance Corporation. It was agreed that the rate of interest would be five per cent per annum, and that payments against the principal were to be made four times a year and against the interest twice a year; also, that consolidated taxes were to be set aside as the first security and the Customs five per cent relief surtax as the second security. Subsequently, owing to fluctuations in the Chinese cotton market, the Chinese Ministry of Finance consulted with that Corporation and obtained its agreement to the reduction of the Cotton and Wheat Loan to US\$10,000,000, thus making a total of US\$17,086,282.48 together with the Wheat Loan.

In addition to the twenty-five per cent of the Cotton and Wheat Loan's principal, on which payments had been made at the due intervals, its remaining seventy-five per cent, as well as the entire principal of the Wheat Flour Loan and the two loans' interests, were repaid from revenues derived from the Customs five per cent relief surtax regularly as they became due.

In 1936 these two outstanding loans were taken over in their entirety by the Export-Import Bank at Washington,<sup>44</sup> with which an agreement was reached on May 28 of that year for the flotation of a consolidated bond loan against the two outstanding accounts amounting to a total of US\$16,608,329.99, at five per cent interest per annum, to be reimbursed in six and a half years' time. Following the reorganization of the loan, all the principal and its accrued interests were paid regularly upon becoming due from the Customs five per cent relief surtax until June 1939 when, as most of this country's Customs were taken possession of by the enemy, the approval of the American Government was obtained for the deferment of the redemption of the principal for two years and for the reduction of the rate of interest

<sup>44</sup> See press release issued by the Export-Import Bank of Washington on June 20, 1936, *Foreign Relations*, 1936, vol. iv, p. 489.

to four percent. Revenues derived from the Customs surtax were still meager when the period for deferment expired, and payment was made regularly from the national treasury by the Chinese Ministry of Finance.

Up to the end of last year, payments on the principal and interest of this loan were made according to the agreement. In this regard Dr. Wei Tao-ming, Chinese Ambassador to Washington, reported by telegraph that he had received confirmation in writing from Mr. Pearson, Chairman of the Board of Directors of the Export-Import Bank, in which he expressed full satisfaction with the settlement of the loan in question, as is a matter of record.

It would be appreciated if you would communicate the foregoing to the Department of State.

I avail myself [etc.]

T. V. SOONG

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893.24/5-345

*The War Department to the Department of State*<sup>45</sup>

WASHINGTON, 3 May 1945.

Subject: Reverse Lend-Lease, Republic of China

1. The Republic of China has supplied rations and to a limited extent billets for the U. S. Forces within China since their entry into that country in 1942. No statement of charges for the above services has been presented for payment by the Chinese Government although efforts have been made within the theater to obtain certified statements of charges pertaining to these services. It is noted in the most recent financial settlement with China in September 1944<sup>46</sup> that these services were listed as mutual aid and were so accepted by the Chinese Government. Procurement of other supplies and services by the U. S. Army from indigenous sources in the China Theater is continuing on an increasing scale. Local procurement will continue to increase as approved operations in the China Theater are carried out.

2. The Commanding General, China Theater, in view of increasing procurement and services, has recommended to the War Department that a Reverse Lend Lease Agreement be negotiated with China. The War Department is unable to give proper advice on this matter inasmuch as it is understood that the formation of policies regarding Lend Lease and Reverse Lend Lease is a function of the State Department.

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<sup>45</sup> For the attention of the Chief of the Division of Chinese Affairs (Vincent).

<sup>46</sup> See letter of December 23, 1944, from the Secretary of the Treasury to the Secretary of State, *Foreign Relations*, 1944, vol. VI, p. 948.



3. The War Department desires an informal expression of State Department opinion on this matter as information upon which to base a reply to Commanding General of the China Theater.

L. J. LINCOLN  
*Colonel, GSC*  
*Chief, Asiatic Section*  
Theater Group, OPD, WDGS

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893.24/5-345

*Memorandum by the Administrator of the Foreign Economic Administration (Crowley)* <sup>47</sup>

WASHINGTON, May 3, 1945.

I have reviewed with Mr. Scheuer <sup>48</sup> and Mr. Willauer the request from China for 176,000,000 yards of cotton textiles and four thousand trucks. We are in sympathy with the plight of China and Mr. Willauer has been working on the question of textiles and trucks for them. However, one thing that must be kept in mind is that in allocating these critical materials and food supplies, as Administrator of the Foreign Economic Administration which has charge of liberated areas plus lend-lease for our fighting allies, I must try to distribute these supplies with as much justice as possible.

Mr. Willauer advises me in the attached memorandum <sup>49</sup> what it would mean if we are to meet this request. When it comes to meeting the requirements out of allocations for lend-lease in liberated areas or by reducing our civilian consumption as distinguished from a cut in our military requirements, I am informed that General Somervell is very sympathetic with the Chinese demands but is unwilling to cut back military requirements to meet it, and that all he is prepared to do is to give his moral support to civilian cut backs. The Inter-Agency Committee <sup>50</sup> of which I am Chairman, in studying the overall picture, plans to look into the military's stated requirements, and perhaps the best solution will be to split the Chinese need fifty-fifty between military and civilian supply. I do not see how it is possible for us to give a definite commitment to Dr. T. V. Soong or a recommendation to the President as early as Tuesday morning.

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<sup>47</sup> Addressed to the Secretary of the Treasury (Morgenthau), the Assistant Secretary of State (Clayton), and the Commanding General, Army Service Forces (Somervell).

<sup>48</sup> Sidney H. Scheuer, Executive Director for Supplies of the Bureau of Supplies, FEA.

<sup>49</sup> Not printed.

<sup>50</sup> Inter-Agency Committee on Foreign Shipments.

In the Inter-Agency Committee we are studying the entire textile field, both at home and in France and other liberated countries. We hope to come up with a world balance sheet next week which will show us where we stand and what our various alternatives are. The terrible shortage that we face throughout the world on food and raw materials makes it imperative that we try to allocate our contribution on an equitable basis. With many of these representatives here in this country for the San Francisco conference, undoubtedly after adjournment they will visit Washington and each will make his appeal for his own country. It is necessary that we try to do these things in an organized way for the benefit of our own government. In the past many of these foreign missions have caused considerable confusion because of the lack of centralized control prohibiting them from going around and opening doors of other departments not directly concerned with supply responsibility.

I am setting this thought before you because I know that with all the problems that face us, unless we do handle them in the regular way, we may get ourselves involved in commitments we cannot possibly meet.

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893.50/5-445

*Memorandum by the Assistant Chief of the Division of Chinese Affairs (Meyer) to the Deputy Director of the Office of Far Eastern Affairs (Stanton)*

[WASHINGTON,] May 4, 1945.

MR. STANTON: The request of Foreign Minister Soong addressed to the Secretary under cover of a letter dated April 20, 1945 for assistance in solving certain Chinese economic difficulties, particularly inflation, has been examined by officers of CA, FE and FN<sup>51</sup> and by Messrs. Collado,<sup>52</sup> McGuire<sup>53</sup> and myself with Messrs. Cole,<sup>54</sup> Adler and Friedman of the Treasury Department.

The critical inflation problem in China has two well defined aspects: (1) political, and (2) financial. From the political point of view inflation is a threat to the stability of the Chinese Government and to the success of the Chinese American war effort in China. It is to American interest to maintain the Chungking Government in power at this juncture and to prevent any interference with Chinese American military operations in China. Should inflation seriously endanger either of these then political factors should overrule financial and

<sup>51</sup> Division of Chinese Affairs, Office of Far Eastern Affairs, and Division of Financial Affairs, respectively.

<sup>52</sup> Emilio G. Collado, Director of the Office of Financial and Development Policy.

<sup>53</sup> Paul F. McGuire of the Division of Financial Affairs.

<sup>54</sup> Frank Coe, Director of Monetary Research, Treasury Department.

technical considerations. It is generally agreed by the State and Treasury officials who have examined this matter that the State Department is best qualified to pass upon the political considerations involved while the Treasury Department is best qualified to pass upon the relevant financial and technical questions. Although the Treasury officials are of course interested in decisions reached as to the supplying of textiles and trucks as a means of combatting the Chinese inflation they are primarily interested in the matter of supplying the gold requested by Soong. The Treasury has expressed extreme reluctance to ship any gold out of the country if it can possibly be avoided. The War Department is understood to have expressed no particular interest in the question of gold shipments but is interested in the question of textiles and trucks requested by Soong.

The matter of assistance to be given by this Government in response to Soong's request will of course involve all factors but there appear to be well defined areas of interest concerning which there does not appear to be any conflict between the agencies of the United States Government concerned. Future developments will presumably determine which factors predominate at the time when a decision will have to be made.

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893.51/6-745

*Memorandum by the Secretary of the Treasury (Morgenthau) to the Chinese Minister for Foreign Affairs (Soong)*

WASHINGTON, May 8, 1945.

1. This memorandum does not deal with the questions of textiles and trucks which were included in the program which was presented to this Government. The urgency of China's need for these items and their bearing upon inflation are recognized. They are omitted because our supply authorities are in the process of making an over-all determination of requirements and supplies and are not yet in a position to make a decision respecting China's requests.

2. We are agreed that any program to stabilize the currency and to check inflation should comprise a broad series of measures in the following categories:

- (a) Monetary and banking rehabilitation.
- (b) Foreign exchange stabilization.
- (c) Fiscal and administrative reforms.
- (d) Increase of supplies and improvement in their distribution.

3. We are anxious to give full support to an effective anti-inflationary program for China. It is therefore recommended that a Currency Stabilization Fund of \$500 million be constituted for this purpose from the remaining \$240 million of the United States loan to China

and from China's existing dollar balances. Such an allocation of this remainder of the United States loan would be in strict accordance with the spirit and the letter of the 1942 financial agreement.<sup>55</sup> The Fund would be set aside with firm mutual commitment on the part of China and the United States as to its purpose and availability.

It is envisaged that the uses to which this Currency Stabilization Fund would be put would be part of a broad concerted program for combating inflation and for currency stabilization and these uses would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date.

The Treasury stands ready to advise and consult with the Chinese Government on the content and timing of such anti-inflationary and stabilization program. We are strongly of the opinion that the initiation of a Currency Stabilization Fund would strengthen the financial position of the Chinese Government and would inspire confidence both at home and abroad in its future economic and financial stability. The existence of such a fund would give the Chinese people a real sense of security with respect to their ability to cope with their grave problems of reconstruction.

It should be noted that this proposal relates to only one portion of the foreign exchange assets presently available to China and that it would leave a relatively large amount of dollar exchange for helpful intermediate measures and for meeting China's current foreign exchange requirements.

4. We believe that the Chinese Government should terminate the program of forward sales of gold. As you know, the U. S. Treasury was not consulted when this program was initiated. In view of the difficulties of shipping gold, the limited effects of sales upon price rises in China, the public criticism of such sales and the desirability of using foreign exchange resources to achieve maximum effects, this program is ill-advised.

5. The Treasury will endeavor, as in the past, to make available limited quantities of gold for shipment to China during the next few months, having due regard to the need for restricting gold shipments where these endanger lives or use scarce transport facilities. However, in consideration of points 2 and 3 above, it is believed that further shipments should be financed out of foreign exchange assets other than those proposed to be earmarked for currency stabilization.

6. China should investigate and cancel sales to speculators and illicit purchasers and insure that only bona fide purchasers will receive such gold as is available. If gold arrivals are still not sufficient to meet

<sup>55</sup> Signed at Washington, March 21, 1942, Department of State *Bulletin*, March 28, 1942, p. 263; or Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 510.

past commitments, it is suggested that China may offer to place dollar credits (at about \$35 per ounce) for the time being from her existing assets to the accounts of purchasers of gold to whom she cannot temporarily make delivery.

7. It is most unfortunate that the impression has arisen in the United States that the \$200 million of U. S. dollar certificates and bonds and the gold sold in China have gone into relatively few hands with resultant large individual profits and have failed to be of real assistance to the Chinese economy.

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893.51/6-745

*Memorandum by the Chinese Minister for Foreign Affairs (Soong)  
to the Secretary of the Treasury (Morgenthau)*

[WASHINGTON,] May 9, 1945.

I. The Chinese Government notes with great satisfaction the views of the Treasury that any program to stabilize currency and check inflation should comprise a broad series of monetary, fiscal and administrative measures. As is perhaps known to the Treasury, I am charged during this trip to arrange for American expert advice on budgetary procedure, on taxation, banking, currency stabilization and administrative reforms.

II. The Chinese Government also appreciates the constructive attitude of the Treasury in exploring the possibility of a Currency Stabilization Fund. However, pending the ratification of the Bretton Woods Agreement<sup>56</sup> by all the Governments concerned, it wonders whether this is an opportune moment to bring forward a bilateral stabilization agreement between China and the United States.

In addition, as has been pointed out by the Secretary of the Treasury, the proposed Fund would be effective only when the war is over, or when a Chinese port is opened and through that port overland contact established with the Free China area.

III. As I pointed out yesterday, whatever we may do about the future, we must take care of the immediate crisis, since without the present there can be no future. In view of China's immediate crisis, measures that are immediately effective should be undertaken. Consequently, the Chinese Government takes the following position on the sales of gold:

1. By the promise of President Roosevelt, the United States Government has agreed to make available to China \$200 million in gold out of the \$500 million loan. The promise was confirmed by the

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<sup>56</sup> Signed at Washington, December 27, 1945, Department of State Treaties and Other International Acts Series No. 1501, or 60 Stat. (pt. 2) 1401.

letter of the Secretary of the Treasury to the Chinese Ambassador in Washington, dated July 27, 1943.<sup>56a</sup> This is a definite commitment of the United States and represents, as I said yesterday, water over the dam.

2. The credit of the Chinese Government must be maintained by an immediate delivery of gold to meet its outstanding commitments. The United States Treasury has been daily informed of these sales and no exception has ever been voiced by it.

3. In view of the fact that the sale of gold is the only effective measure so far found to absorb large blocs of currency, the stoppage of such sales, precisely at the time when the inflationary spiral is gaining momentum, would be disastrous. For instance, from April 1st to May 4th, this year, in little over a month, the Chinese Government absorbed 10.8 billions Chinese National Currency by gold sales. If the price of gold is further increased, which we contemplate, we might well absorb more than half of our present monthly increase in circulation. If in addition, we carry out the proposal of the Secretary of the Treasury to tap a wider market and to insure wider distribution by selling token coins of small unit weights, even larger quantities of Chinese National Currency could be absorbed.

The Chinese Government is indeed anxious to secure textiles and other goods to help combat inflation, but the volume of goods available, as well as the transport facilities, is limited, so it is clear that such an effective and proven instrument to combat inflation as is represented by our gold sales cannot be abandoned.

IV. Upon the assurance of immediate and substantial shipments of gold to China, the Chinese Government is anxious to reinforce its gold sale policy in the following manner:

1. To increase the price of gold, making it more in line with the level of general prices, so as to yield more to the Government.

2. With gold stocks on hand in Chungking, to discontinue forward sales, but to sell exclusively for cash delivery, doing away with the big differential between the official and open market prices of gold.

In addition, the Chinese Government desires to devise a method of retroactive taxation on forward buyers of gold, so as to tax windfall profits arising from the rise in the price.

The Chinese Government is also ready to discuss with the representative of the Treasury on the best method of conducting gold sales, and would indeed be glad to invite such a representative to sit on the Gold Sale Committee in Chungking.

Unless the promise made by President Roosevelt and the Treasury to make gold available be fully implemented, a disastrous financial

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<sup>56a</sup>For substance, see telegram No. 1005, July 31, 1943, midnight, to the Chargé in China, *Foreign Relations*, 1943, China, p. 439.

collapse in China is plainly indicated, which will inevitably be followed by a military collapse.

T. V. SOONG

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893.51/5-945

*The Chinese Minister for Foreign Affairs (Soong) to the Assistant Secretary of State (Clayton)*

WASHINGTON, May 9, 1945.

DEAR WILL: Enclosed please find copy of my letter to Secretary Morgenthau. I am anxious to get his confirmation before I leave for San Francisco,<sup>57</sup> as I understand he is leaving for Florida tomorrow afternoon and will not be returning till next Tuesday.

In case I get his reply tomorrow I could return to San Francisco immediately; if not, I will be bogged down till next week; in which case I hope Ed<sup>58</sup> will understand I am not a willing delinquent.

Thank you for your helpfulness in attending the conference this afternoon.

Yours sincerely,

TSE VUN SOONG

[Enclosure]

*The Chinese Minister for Foreign Affairs (Soong) to the Secretary of the Treasury (Morgenthau)*

[WASHINGTON,] May 9, 1945.

MY DEAR MR. SECRETARY: May I express my appreciation of the frank talk we had at luncheon, and the helpful attitude you showed at the conference this afternoon.

I have cabled to the Generalissimo your suggestion of setting up a \$500 million Reconstruction Fund, and will let you know as soon as I have his reply. I added that you recognized that the above suggestion and the question of gold delivery are two separate matters; that there is no question of the validity of your prior commitment; that you are ready to meet it; and that gold will be made available.

In view of the urgency of the situation, I shall appreciate it if you will kindly designate some member of your Department to discuss the details with my assistants, Mr. Tsu-ye Pei<sup>59</sup> and Dr. W. Y. Lin,<sup>60</sup> so that the necessary shipments could be made at once.

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<sup>57</sup> Dr. Soong was Chairman of the Chinese Delegation to the United Nations Conference on International Organization at San Francisco.

<sup>58</sup> Edward R. Stettinius, Jr., Chairman of the American Delegation.

<sup>59</sup> Chief financial adviser to Dr. Soong.

<sup>60</sup> Lin Wei-yin, secretary to Dr. Soong.

As Mr. Clayton said this afternoon, I have to return to San Francisco to meet my engagements there, accordingly I shall be grateful for your prompt reply.

Faithfully yours,

TSE VUN SOONG

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893.51/6-745

*Memorandum by the Chinese Minister for Foreign Affairs (Soong)  
to the Secretary of the Treasury (Morgenthau)*<sup>61</sup>

[WASHINGTON, May 9, 1945.]

I gladly welcome your suggestion about setting up a reconstruction fund as a joint enterprise of the United States and Chinese Governments. The war is coming to a close and planning for the recovery and reconstruction of China is an urgent necessity. The reconstruction of China is of course an integral part of the Sino-American policy to make China a strong power and to enable China to fulfill her role in helping to insure stability in Asia and the Pacific. It seems to me that such a fund is one of a number of aspects of the problem that should be worked on by us jointly. The fund alone, divorced from actual planning, will have little meaning and will not be well received.

I would suggest that we decide to prepare jointly a general program. Some tentative plans are already available both on the American and Chinese side, such as the Yangtze Gorge Project, the Taub industrialization scheme,<sup>62</sup> the plans of the National Resources Commission, the Ministry of National Economy, and others.

The essence of any plans finally adopted will consist in obtaining from the United States the capital goods, machine tools, transport facilities of various types, as well as facilities offered both by the United States and Chinese Governments to encourage American investment in China.

It is obvious that more than 500 million dollars will be necessary to carry out this plan. Furthermore, it will need both Chinese and American capital for this purpose. Only by joint collaboration in planning and financing can we carry out a relatively rapid Chinese reconstruction. Only from the United States can we secure the necessary machines from the vast production facilities created by your war effort.

Consequently, it seems to me that we should proceed immediately to joint discussion of this whole problem not confined to any one part of

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<sup>61</sup> Attached to letter of May 9 from Dr. Soong to Secretary Morgenthau, *supra*.

<sup>62</sup> This took its name from Alex Taub, Chief Engineer of the Engineering Service, Foreign Economics Administration.



it, and seek to arrive at a comprehensive mutual agreement as to our future policy, plans, and financing. I am here to do it if you are ready.

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893.51/5-1045

*The Chinese Minister for Foreign Affairs (Soong) to the Assistant Secretary of State (Clayton)*

[WASHINGTON,] May 10, 1945.

DEAR MR. CLAYTON: To keep you informed and complete your file I enclose copy of reply from Mr. Morgenthau to my letter of the ninth.

Frankly, I am disappointed with the letter, because the Treasury may be using the same tactics it has adopted toward gold shipments in the past, namely, while not willing to admit non-compliance with its own commitments, it has been stringing gold shipments along in very small quantities that would not meet our needs.

Until I get a more definite commitment from the Treasury I feel I am unable to leave for San Francisco.

Yours sincerely,

TSE VUN SOONG

[Enclosure]

*The Secretary of the Treasury (Morgenthau) to the Chinese Minister for Foreign Affairs (Soong)*

WASHINGTON, May 10, 1945.

DEAR DR. SOONG: I am replying to your letter of May 9, 1945, regarding our discussions on gold and the establishment of a \$500 million fund. I shall be glad to have your reply on the fund suggestion as soon as you have heard from the Generalissimo.

As I informed you yesterday, the Treasury will consider steps to accelerate gold shipments to China.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/5-1645

*Memorandum by the Director of the Office of Financial and Development Policy (Collado) to the Secretary of the Treasury (Morgenthau)*

[WASHINGTON,] May 16, 1945.

It is suggested that when you inform Dr. Soong at 11:30 this morning of the decision to deliver gold to China in so far as it is possible, in accordance with his time schedule, you take the oppor-

tunity to make a strong statement regarding the way China has carried out its financial and anti-inflationary programs. It is further suggested that you indicate that you will "confirm" all of this in a subsequent letter which might include the following points:

(1) The Treasury is prepared to meet his time schedule of gold deliveries in order to carry out the July 1943 commitment.

(2) Nevertheless it is necessary and desirable to point out that the purpose of the \$500,000,000 credit, and particularly of the \$200,000,000 gold commitment, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its financial situation and which would attempt to maintain the Chinese economic situation.

(3) The sale of gold by China has not proved and is not in our opinion likely to prove a very effective anti-inflationary device. Moreover, the manner in which the gold sales have been conducted and the wide-spread public criticism thereof in China are not conducive to the strengthening of confidence in either the financial situation or the Government itself.

(4) On the other hand, we continue to believe that the establishment of the \$500,000,000 fund for combating inflation and stabilizing the Chinese currency proposed last week would be of considerable short and long run benefit to China and would inspire confidence in the Chinese Government's handling of the difficult financial situation.

(5) Since, however, the Chinese Government has determined to go forward with the gold sale program, the Treasury believes that it is imperative that there be eliminated the factors which have caused such wide-spread dissatisfaction in its handling.

(6) The Treasury has noted with great interest the intention of the Chinese Government to effectuate various administrative reforms relating to fiscal matters, including stricter budgetary control, re-organization of the tax structure and closer supervision of banking institutions.

These efforts are commendable and important inasmuch as in my opinion the carrying out of the foregoing fiscal and administrative reforms will do more to engender confidence among the people and to give a measure of stability to the present economic and financial situation than the measures of assistance which you have requested. I should like, therefore, to urge as being very definitely in China's best interests that further reforms be effected in governmental administration through the abolition and fusion of superfluous agencies and reduction of personnel; that taxes be placed on a more equitable basis and collection thereof be simplified and made more effective; that expenditures be rigidly restricted and controlled; that effective measures be taken against public and private hoarding; and that such other measures of reform be instituted as will stimulate public confidence and improve the financial position of the government.

893.51/5-1645

*The Acting Secretary of State to the Secretary of the Treasury  
(Morgenthau)*

WASHINGTON, May 16, 1945.

MY DEAR MR. SECRETARY: The Department has given careful attention to the request of the Chinese Foreign Minister, Dr. T. V. Soong, for the delivery during the remainder of 1945 of about \$190,000,000 of gold from the unused balance of the \$500,000,000 credit approved by the Congress in January 1942.<sup>63</sup>

It is the Department's view, which it understands is shared by the Treasury, that the sale of gold by China has not proved and is not likely to prove a very effective anti-inflationary device. Moreover, it believes that the establishment of a \$500,000,000 fund for combating inflation and stabilizing the Chinese currency which you proposed last week to Dr. Soong would, if adopted by the Chinese Government, be of considerable short and long run benefit to China.

The Chinese Government believes, however, that the immediate political and psychological as well as real economic effects of a continued and accelerated gold sale policy will have a vital importance in the critical situation confronting it, and strongly requests the delivery of the gold in question in accordance with the terms of the understanding between the two governments of July 1943.<sup>64</sup> Since there appears to be no doubt that the Chinese Government attaches a greater importance to the immediate delivery of the gold than to the longer run benefits which might result from the establishment of the fund which you have proposed and since the continued stability of China and her increasing military effort in the war against the common enemy are of great concern to the United States, the Department recommends that Treasury, if transportation is available, deliver the gold to China in accordance with the time schedules put forward by Dr. Soong.

Sincerely yours,

[JOSEPH C. GREW]

893.51/5-1645

*The Secretary of the Treasury (Morgenthau) to the Chinese  
Minister for Foreign Affairs (Soong)*<sup>65</sup>

WASHINGTON, May 16, 1945.

DEAR MR. SOONG: This is to confirm what I told you today. In accordance with your memorandum of May 11,<sup>66</sup> the Treasury is pre-

<sup>63</sup> Approved February 7, 1942; 56 Stat. 82.

<sup>64</sup> See footnote 30, p. 1064.

<sup>65</sup> Copy transmitted to the Department by Mr. Morgenthau on May 16.

<sup>66</sup> Not found in Department files.

pared to authorize the shipment of the balance of the \$20 million of gold which is on earmark with the Federal Reserve Bank of New York for the Central Bank of China and to transfer the balance of \$180 million to the account of the Central Bank of China with the Federal Reserve Bank of New York, in three equal monthly installments of \$60 million from May to July 1945. The Treasury accepts the schedule of gold shipments contained in your memorandum of May 11, 1945 and is making arrangements with the Army to carry out the shipments of the gold according to that schedule. The preliminary arrangements to ship the requested amount for the month of May have already been made. These steps are being taken in accordance with our Financial Aid Agreement of March 1942 and my letter to Dr. Kung of July 27, 1943.

At this time it seems to me necessary and desirable to point out that the purpose of the \$500 million of financial aid to China, and particularly my agreement in July 1943 to ship gold to China, was to assist in an anti-inflationary program which would strengthen confidence in the Chinese Government and its finances and thereby help maintain the Chinese economy. As you know, it is my opinion that the sale of gold by China has not proved effective in combating inflation, and I am doubtful that it will prove effective. Also as I have told you, the manner in which the gold sales have been conducted and the consequent public criticism of them in China are not conducive to achieving the purposes for which our financial aid was granted.

Therefore, I would respectfully ask the Chinese Government to consider carefully the matters proposed to you in my memorandum of May 8, 1945. In particular I would reiterate my suggestion that China constitute a \$500 million fund for combating inflation and stabilizing the currency from its foreign exchange assets. I think that this step would be of considerable short and long-run benefit to China and would inspire confidence in the Chinese Government's handling of its difficult economic situation.

The Treasury has noted with great interest the intention of the Chinese Government, as stated in your memorandum to the Secretary of State, to effectuate reforms relating to financial and economic matters. We think that the carrying out of these reforms will do more to insure confidence among the people and give a measure of stability to the present economic and financial situation than the gold program.

I know that you and your Government will take these friendly suggestions in the spirit in which they are offered. As I told you, we intend to carry out faithfully our financial agreement of 1942. However, the Chinese Government's response to our proposal to insti-

tute a \$500 million fund and her conduct of the gold sales program will be important considerations in our financial relations with China.

This Government has as prime objectives the defeat of Japan and the liberation of China. As an old friend of China, I believe that our faith and confidence in China will be justified.

Very truly yours,

H. MORGENTHAU, JR.

893.51/5-1645

*The Secretary of the Treasury (Morgenthau) to Major General  
A. H. Carter*<sup>67</sup>

[WASHINGTON,] May 16, 1945.

DEAR GENERAL CARTER: As you know, the Treasury through the services provided by the War Department has from time to time shipped gold to Assam, India, for the account of the Government of China.

The Secretary of the Treasury, after consultation with President Truman, has agreed to transfer \$180 million of gold to China's earmarked gold account in New York for shipment to China during the next eight months. Moreover, we have agreed with the Chinese to ship during the same period an additional \$9 million of gold already held by them on earmark with the Federal Reserve Bank of New York.

It will be necessary therefore for me to make requests from time to time for the shipment by air or by sea of the total amount of about \$189 million of gold during the next eight months according to the attached schedule.<sup>68</sup> It will be noted that 300,000 ounces are to be shipped by air during the month of May in addition to 700,000 ounces by boat during the same month.

Sincerely yours,

H. MORGENTHAU, JR.

103.9169/5-1745

*The Ambassador in China (Hurley) to the Secretary of State*

No. 406

CHUNGKING, May 17, 1945.

[Received June 1.]

SIR: I have the honor to enclose a copy of a communication prepared at my request by the Chungking office of the Foreign Economic Administration, describing certain services performed by the FEA

<sup>67</sup> Copy transmitted to the Department by Mr. Morgenthau on May 16. General Carter was Fiscal Director, Army Service Forces, War Department.

<sup>68</sup> Not printed.

on behalf of the Soviet Government in providing transportation for such important commodities as tin, tungsten, bristles, mercury, silk, tung oil and bismuth, from South China to Assam via Kunming.

It appears from the FEA statement that its work on behalf of the U. S. S. R. has been confined to movement of commodities from China to Assam by air, but that such movement has amounted to upwards of one-third of the total transported westbound in the past two years. It appears further that commodities moving by ATC<sup>69</sup> are paid on the basis of U. S. one dollar per ton mile and that "payment is effected through Lend-Lease to the U. S. S. R.". Freight moving on the other hand under the Services of Supply—Chinese National Aviation Company contract, is said to be carried free.

I have inquired further of Mr. Stanton<sup>70</sup> regarding the foregoing and he has given me orally the following additional information:

1. Most of the Soviet freight has moved by CNAC (free) rather than by ATC.

2. The statement relative to ATC movement that "payment is effected through Lend-Lease" in fact means that the amount involved is merely "added to the account"; insofar as Mr. Stanton is aware, this account is not being currently paid.

3. With regard to the SOS—CNAC contract, it appears that *all* the space westbound is being paid for by our Government, the argument reportedly being that since the American Government has little westbound freight, our Government incurs no additional expense by giving the space gratis to the U. S. S. R.

Mr. Stanton had no answer to the question why our Government has contracted for and is paying for the entire westbound space which we ourselves do not need, or why—if we are paying for it but not using it for ourselves—we are not charging the U. S. S. R. as at least a partial reimbursement to our Government. Mr. Stanton's only comment on this was to the effect that the decision had been made in Washington.

While I note the statement in Mr. Stanton's enclosed letter that "at no time during the movement of these commodities has there been a shortage of westbound hump space" and that "consequently the movement of U. S. A. materials has in no way been delayed thereby", I wish to point out that insofar as I am aware this Embassy has not participated in any way whatsoever in the making of these arrangements for the transportation of Soviet Government freight. The Embassy has not been consulted to my knowledge in regard to the policies involved or to the accountability for the services rendered.

In these circumstances, which apparently involve transportation of Soviet Government freight from China to Assam at the expense of

<sup>69</sup> Air Transport Command.

<sup>70</sup> W. T. Stanton, special representative of FEA in China.

the American taxpayer, I wish to make clear that the Embassy is obviously not in a position to accept any responsibility arising from the execution of this program, and to suggest that an immediate investigation be undertaken, at the instance of the State Department, by the agencies concerned. I should be pleased to be informed of the results of such an investigation.

Respectfully yours,

PATRICK J. HURLEY

[Enclosure]

*The Special Representative of the Foreign Economic Administration in China (Stanton) to the Economic Counselor of Embassy in China (Briggs)*

[CHUNGKING, May 15, 1945.]

DEAR MR. BRIGGS: You have asked for my comments on the relationship existing between FEA and the USSR Government in connection with the latter's purchase of strategic commodities in China and their movement out of this country. FEA's assistance has been entirely confined to the latter phase of operations and at no time have we acted for the USSR in the purchase in China of commodities for their account.

It is my understanding that the origin of these Russian purchases is to be found in certain commodity loans extended by the USSR to China some years ago. Repayment of these loans has been, and is being, accomplished by delivery on the part of certain Chinese Government agencies to the USSR Trade Representative in China of certain commodities selected by him. These, in the approximate order of their importance, have been as follows: Tin, tungsten, bristles (and riflings), mercury, silk, tung oil, and bismuth.

Inasmuch as FEA on behalf of the United States Commercial Company is interested in the acquisition of certain of these materials, it may be asked whether or not unnecessary and undue competition exists in the filling of our mutual requirements. It is my belief that this is not the case inasmuch as commodities delivered to the USSR are valued at the price established between the Chinese Government selling agencies and FEA for our current purchases. (Thus, in the case of tin, the equivalent of so many tons of tin delivered to the USSR Trade Representative at the current price at which we are purchasing from NRC will be applied in U. S. dollars to liquidate an equivalent amount of the outstanding loan, which, it is understood, is expressed in U. S. currency.) Thus, the matter of competitive bidding would not appear to be involved.

Active assistance to the USSR has been accorded by FEA in the movement of these materials by air from China to India. In point of fact, this assistance consists in FEA acting as shipping agent under instructions from the WPB Washington to make available to the USSR Trade Representative the facilities of ATC and/or CNAC planes under contract to U. S. Army SOS. Our responsibility lies in arranging shipments, supervising same, and accounting for the quantity of materials involved. Necessary recording is made both at this end and at point of delivery in Assam where Messrs. Cox and King's Ltd. receive the cargo as agents for the USSR Government. It may be emphasized that no Russian materials are moved without the establishment in Washington of an air priority by the WPB and that this is accomplished upon representations to the WPB from Moscow.

Parenthetically, there may be stated the obvious fact that at no time during the movement of these commodities has there been a shortage of west-bound hump space. Consequently, the movement of USA materials has in no way been delayed thereby.

The following approximate figures show the total quantities of strategic materials shipped by air through FEA during 1943 and 1944 together with that part of these totals which comprised USSR materials:

(Figures are of gross weights)

1943 total shipment. . . . .	32, 831, 000 lbs.
Of this for USSR account:	
Tungsten . . . . .	2, 002, 000 lbs.
Silk . . . . .	58, 000 lbs.
Mercury. . . . .	238, 000 lbs.
Tin . . . . .	7, 140, 000 lbs.
	<hr/>
Total. . . . .	9, 438, 000 lbs.
	or 34. 7%
1944 total shipment. . . . .	32, 765, 000 lbs.
Of this for USSR account:	
Wolfram . . . . .	11, 676, 000 lbs.
Tung Oil . . . . .	248, 000 lbs.
Mercury . . . . .	222, 000 lbs.
Silk . . . . .	133, 000 lbs.
Bismuth . . . . .	23, 000 lbs.
	<hr/>
Total. . . . .	12, 302, 000 lbs.
	or 37. 5%

Under present arrangements payment of freight at approximately US\$1.00 per ton mile is required on shipments by ATC, and such payment is effected through Lend-Lease to the USSR. Under the terms



of the SOS/CNAC contract, westbound space after meeting U. S. Army demands is at the disposal of FEA and no charge is made therefor. From this allocation to FEA, there is granted the space necessary for USSR cargo and consequently no charge is made to the USSR in this respect. In point of fact, the amount of freight charged to Lend-Lease has been very small indeed, as since the necessity for this payment has been enforced USSR shipment has been virtually confined to CNAC planes.

To complete this summary, I should mention that on occasions FEA in China has purchased from the USSR Trade Representative certain quantities of strategic materials which had been previously delivered to him by Chinese Government agencies as above outlined. This is notably so in the case of bristles which, incidentally, are purchased by us for allocation at varying percentages to USA and to UK. The last such purchase from the USSR was concluded in late 1943 or early 1944. As stated above, at no time have we purchased strategic materials from the Chinese Government for subsequent allocation to the USSR.

If you have any further queries in connection with the foregoing, please communicate them to me.

Very sincerely yours,

W. T. STANTON

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893.51/5-1945 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 19, 1945.

760. Associated Press and United Press carry stories in virtually all papers today describing multi-million dollar Chungking gold scandal which is coming to light despite tight Chinese censorship. Scandal stems from premature leak of Chinese Government decision in March to raise official price of gold, thus permitting Chungking speculators to make fantastic profits in few hours, according to press. Dr. Soong is reported to have taken note of incident by authorizing statement to a reporter that drastic punishment awaited those who were involved. United Press states that scandal was principal reason for Dr. Soong's return to Washington from San Francisco, and continues to say that Treasury and State Department officials are said to be conferring about it.

[Here follows report of a radio commentator.]

GREW

893.515/5-2045: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 20, 1945—1 p. m.

761. From the Secretary of the Treasury.

Part I. For your information and use in conversations with Chinese officials including the Minister of Finance, I am transmitting text of letter sent May 16, 1945 to Dr. Soong regarding Chinese request for gold. The decisions embodied in the letter were arrived at after full discussion with State, War and FEA.

[Here follows text of letter from the Secretary of the Treasury to Dr. Soong, printed on page 1089.]

Part II. 1. I would very much appreciate receiving your reactions to our proposal that China institute a \$500 million fund from her existing dollar balances. The uses to which this Currency Stabilization Fund would be put would be a broad concerted program for combating inflation and for currency stabilization and these uses would be subject to joint agreement. The time at which the Fund's operations would start would be discussed at a later date. This proposal for a \$500 million Fund was made with the concurrence of State, War and FEA. Dr. Soong has referred the proposal to the Generalissimo.

2. The Chinese schedule of gold shipments referred to in my letter to Dr. Soong calls for the shipment of about \$80 million by air and about \$108 million by boat during the next eight months.

3. Adler will give you full details on discussions with Dr. Soong on his return to Chungking.

GREW

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893.51/5-2145

*The Secretary of the Treasury (Morgenthau) to the Acting Secretary of State*

WASHINGTON, May 21, 1945.

MY DEAR MR. GREW: I am writing in reply to your letter of May 16, 1945 regarding the purchase of gold by China. I wish to express my deep appreciation to you and the other members of your Department for their unvarying helpfulness in the discussions with Dr. T. V. Soong.

As you know, after the receipt of your letter of May 16, 1945 and the memorandum of the same date from your Department, I sent a letter to Dr. Soong indicating the views of this Government on the Chinese request for gold and on our proposal for the establishment of a \$500 million Fund for combating inflation and stabilizing the

Chinese currency. I am attaching a copy of this letter <sup>71</sup> for your information.

We have already informed the Army of the need for transport facilities in accordance with the schedule proposed by Dr. Soong. I will, of course, keep your Department informed of any developments with regard to the \$500 million Fund proposal.

Thank you again for your cooperation in this matter.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/5-2745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 27, 1945—9 a. m.

[Received May 28—2: 15 p. m.]

855. According well informed sources, Control Yuan late April submitted report on Chungking "gold scandal" Cawe So [*case to ?*] Gmo <sup>72</sup> allegedly recommending execution of K. K. Kwok, manager of Central Bank and named as one of principal sources for leak and one of those who profited most thereby; dismissal of Finance Minister O. K. Yui, and severe punishment for 4 or 5 other key Govt. bank or Finance Ministry officials. (ReDeptel 715, May 12, 2 [7] p. m.,<sup>73</sup> and 760, May 19.) Gmo allegedly declined to take this drastic action but referred case to Judicial Yuan with instruction to draw up proceedings for Chungking experimental court. Two minor officials Central Trust jailed and await trial, probably in June, but most well-informed Chinese and foreigners here apparently do not believe action will be taken against Kwok, Yui or other high officials. Yui reportedly stated few days ago to representative of American firm that he and Kwok had received assurances from Gmo of latter's continued confidence in them.

Case was discussed at recent Kmt <sup>74</sup> Congress but interpellator was told by chairman [of] Examination Yuan that it had been referred to court.

At May 23 press conference Govt spokesman refused to discuss present status on grounds that case was *sub judico*.

[Here follows report on press comment.]

There appears to be a possibility that case may be held in abeyance pending return of Dr. Soong.

HURLEY

<sup>71</sup> Dated May 16, p. 1089.

<sup>72</sup> Generalissimo Chiang Kai-shek.

<sup>73</sup> Not printed: it asked for report on gold scandal (893.51/5-1245).

<sup>74</sup> Kuomintang.

893.24/5-3045: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 30, 1945—4 p. m.

[Received June 1—11:15 a. m.]

880. At a meeting which I called last night of representatives of the Embassy, General Olmsted, FEA, and Nelson mission, it was unanimously agreed that it would be desirable to negotiate a reverse Lend-Lease agreement with China at the earliest possible moment. In this connection Olmsted reports that this has already been endorsed by the War Dept to the State Dept and he says he sees no reason why such an agreement cannot promptly be reached.

I should appreciate being informed by telegram whether the Department is prepared to handle the matter in Washington and whether there is any step which it is desired I take at this end.

HURLEY

893.24/6-145

*The Assistant Secretary of State (Clayton) to the Administrator of the Foreign Economic Administration (Crowley)*

WASHINGTON, June 1, 1945.

DEAR LEO: I am gratified that you were successful in obtaining allocations totalling 45 million yards of cotton textiles for China for the third quarter of 1945. Foreign Economic Administration and the other war agencies deserve the utmost praise for this result.

I do not believe, however, that we would be realistic unless we recognized that the allocation of the textiles is simply the first step in the supply procedure. The next step, of course, is procurement here and in Mexico and Brazil, and in the solution of that problem you will agree there is less reason for optimism.

You will recall that out of 45 million yards to be made available to China, 22 million yards is to come from Brazil and Mexico and 23 million yards from the United States. I have sent cables to our Embassies in Mexico and Brazil,<sup>75</sup> stressing the urgency of having Chinese requirements fulfilled in their entirety and requesting the Embassy to do everything possible to facilitate procurement by making proper representations to the Brazilian and Mexican Governments and by assisting your USCC Purchasing Mission in placing contracts.

<sup>75</sup> Neither printed.

As far as procurement in the United States is concerned, I believe the practice is for Treasury Procurement to make the purchases under requisitions from Foreign Economic Administration. In that connection I am informed by the War Production Board that for the first quarter of 1945 allotments of only 50 percent of Foreign Economic Administration's allocation of cotton textiles were issued for the general areas and only 26 percent for the liberated areas. This indicates difficulties in procurement, and I am therefore calling this to your attention with the thought in mind that we should place our Chinese orders as rapidly as possible with the mills so that we will not lose any part of the allocations.

Sincerely yours,

W. L. CLAYTON

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893.51/6-445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 4, 1945—8 a. m.

[Received 1:07 p. m.]

907. With further reference to so-called gold scandal case (ReEmbs-tel 855, May 27, 9 a. m.), it now seems fairly certain that O. K. Yui will be charged with responsibility and dismissed from post as Finance Minister. Kwok, manager of business dept. of Central Bank, is reliably reported to have resigned May 28 on pretext of illness after being placed under CN dollars five million bail by court. Action on Yui reportedly taken at recent CEC<sup>76</sup> meeting with formal announcement of his dismissal expected soon.

In general connection with charges of dishonesty in high quarters arising from gold scandal, it will be observed that thus far Govt. has not issued any statement showing proportion of March 28 gold sales (which reportedly totalled 21,447 ounces against 10,815 ounces sold March 27) alleged to have been made as a result of leak. Govt. spokesman April 18 states that increase was "not remarkable" and not nearly so large as increase during last 2 days of February, sales Feb. 27 and 28 amounting to 9,060 and 38,991 respectively.

The action reportedly taken against Yui and Kwok appears to be tied up with intention of T. V. Soong,<sup>77</sup> presumably with Gmo's approval, to remove appointees made by H. H. Kung from high official position.

HURLEY

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<sup>76</sup> Central Executive Committee of the Kuomintang.

<sup>77</sup> Dr. Soong became President of the Executive Yuan on May 31. He retained his position as Minister for Foreign Affairs until July 30.

103.9169[/6-445] : Telegram

*The Acting Secretary of State to the Consul General at Kunming  
(Langdon)*

WASHINGTON, June 4, 1945—11 a. m.

126. On Presidential and Cabinet level decision made furnish Chinese with 4,000 additional trucks as part anti-inflation program. (From Willauer FEA for McCann.<sup>78</sup> Chinese anti-inflation program) General Olmsted thoroughly familiar and approved this requirement while here. Trucks will be furnished out of army cut backs and presumably will be standard military models. Unable ascertain yet whether medium or light heavy. Please cable urgently your preference distribution between medium and light heavy. Most probably will be 1½ ton four by four Chevrolets out of late third quarter US production. [Willauer.]

Sent to Kunming, repeated to Chungking.<sup>79</sup>

GREW

893.51/6-645

*The Navy Department to the Department of State*

[WASHINGTON,] 6 June 1945.

NCR 1832. ComNavGroup China<sup>80</sup> sends this secret and urgent message for the Secretary of the Treasury from Ambassador Hurley. Copy to the President and Secretary of State.

Your message No. 766 [761] date May 20 was received in garbled form. Our code room asked for repeats and did not get legible until May 31. This delay is in no way attributable to you. Thank you sincerely for the information contained in your telegram. The subject has been constantly discussed by Chinese here since your commitment of May 16. I have not participated in any of the discussions, since until May 31 I had no official information on the subject. You asked my reaction to the proposal that China institute a \$500,000,000 fund from her existing assets to stabilize currency and combat inflation. I am heartily in favor of any measures that will serve these worthy purposes and protect China's foreign trade balances against ill-advised dissipation. However I am interested in knowing what practical steps will be taken to achieve these objectives. The present situation demands immediate action and merely setting aside the fund will in my opinion have little material effect. It is strongly

<sup>78</sup> Robert E. McCann, Chief of FEA Transportation Division at Kunming.

<sup>79</sup> As telegram No. 846.

<sup>80</sup> Commander of the U. S. Naval Group in China.

maintained by the Chinese that the sale of gold to absorb large amounts of currency issued to cover budgetary deficits is an essential part of the anti-inflationary program. I agree with you that there is little evidence to support such a claim and until there is a radical change in the present policy little can be expected. For the Government to sell gold at a figure far below the open market price is a denial of the objective to absorb printing press currency in the maximum amount and furthermore it has given rise to vicious speculation and much unfavorable publicity in the so-called gold scandals of which you have been advised. When the official price of gold was raised from CN\$20,000 to CN\$35,000 on March 30 the open market price was approximately CN\$50,000. Notwithstanding your announcement some 3 weeks ago that gold in the amount of 200,000,000 United States dollars would be shipped to China over the next few months the open market price has been spiraling upwards. According to the *Commercial Daily News* of June 3 after (brisk trading) gold closed at CN\$101,500 per ounce on June 2. The official Government price is still CN\$35,000 per ounce. Thus those now fortunate enough to be able to make Government purchases derive an immediate book profit of approximately 190 percent on their investment, an unconscionable benefit which should accrue to the Government.

This is a demoralizing situation. It appears that the United States has reserved no power to control the situation in its gold commitment to China. The dollars gold 200,000,000 commitment was apparently made without condition. You state that the Treasury has committed itself on the \$200,000,000 in gold to China without having procured a commitment for the establishment of a \$500,000,000 fund to combat inflation. But you state that you suggested the establishment of such a fund. My reaction to that part of the transaction is that if you wanted a stabilization fund to be instituted you should have made that a condition precedent on which you would supply the dollars gold 200,000,000 to China. Then you would have been in a position to trade or not to trade. Now you ask me to advise you what my reaction is to your reiteration of your suggestion that China constitute \$500,000,000 fund for combating inflation and stabilizing currency. No one has more respect for the power of suggestion than I. In this instance, however, I would have relied on the power of dollars gold 200,000,000. I am convinced of China's friendship for the United States. I believe that China intends to repay the United States in the years to come. China dreads becoming what her leaders refer to as "a beggar nation". I am satisfied that there must be some good reason for having made the commitment without having obtained China's agreement to constitute a \$500,000,000 fund for the purpose suggested by you. This is reinforced by the fact that you state the

decision was made after full discussion with the State and War Departments and the FEA. I say to you frankly, however, and without criticism that I would have felt much better about the situation if you had asked my reaction on your suggestion before you were committed to the transaction <sup>81</sup> rather than after it had been completed. If you will furnish me with sufficient background to enable me to formulate an intelligent opinion I will certainly cooperate with you. [HURLEY.]

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893.51/6-1245

*Memorandum by Mr. R. Borden Reams of the Office of the Secretary of State to the Assistant Secretary of State (Clayton)*

[Extract]

[WASHINGTON,] June 8, 1945.

Mr. Morgenthau then raised the matter of an exchange of telegrams with Ambassador Hurley regarding the supply of two hundred million dollars gold to China. His telegram to Hurley <sup>82</sup> was for information purposes only and he now feels that the State Department officials who worked with him on this matter should have undertaken this function. His telegram was delivered to the Department (Mr. Collado) on May 18, was sent out on May 20 and garbles which made it unreadable were not cleared until May 31. Mr. Morgenthau takes strong exception to Hurley's reply dated June 6 which came in through Navy with a copy to State.<sup>83</sup> The last part reads, "I say to you frankly, however, and without criticism that I would have felt much better about the situation if you had asked my reaction on your suggestion before you were committed to the transaction rather than after it had been completed. If you will furnish me with sufficient background to enable me to formulate an intelligent opinion I will certainly cooperate with you."

Since Mr. Morgenthau worked closely with State and War on this matter and was only trying to be helpful he feels that the implication that he was wrong and Ambassador Hurley is right should not be permitted to stay on the record. He hopes that you will write a message chiding the Ambassador and asks that he be permitted to see the message before it goes.

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<sup>81</sup> Marginal notation: "Morgenthau committed himself to the gold transaction a year previous, and so had no bargaining power." This referred to Mr. Morgenthau's letter of July 27, 1943, to the Chinese Ambassador, *Foreign Relations*, 1943. China, p. 439.

<sup>82</sup> No. 761, May 20, 1 p. m., p. 1096.

<sup>83</sup> *Supra*.



893.51/6-945 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 9, 1945—7 p. m.

889. Personal for the Ambassador. I have seen a copy of your telegram of June 6 to Secretary Morgenthau in reply to his message giving you background information on the supply of gold to China. I feel that you should know that State, Treasury and other interested agencies reached a decision on this matter only after full consideration of all factors involved and on the basis of all available information. If there is a shortcoming it arises out of the oversight of the Department in not sending to you accounts of the progress of the conversations held.

GREW

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893.51/6-1245

*Memorandum by Mr. Paul F. McGuire of the Division of Financial Affairs to the Director of the Office of Financial and Development Policy (Collado)*

[Extracts]

[WASHINGTON,] June 12, 1945.

In connection with Mr. Morgenthau's complaints about Ambassador Hurley and the Department on the Chinese gold matter, I should like to say, just for the record (our own files, perhaps) that I cannot see that either the Ambassador or the Department have any apologies to make to Mr. Morgenthau.

. . . . .

The real thing that obviously hurt Mr. Morgenthau's feelings was Ambassador Hurley's pointing out that his opinion on the stabilization fund was not asked until after the gold was gone, so that all our bargaining power was gone. The gold was, in fact, lost on May 16, three days before Mr. Morgenthau's message reached the Department for transmission. Everyone concerned knows that the gold was lost because Secretary Morgenthau discovered he had made a commitment a year ago which he had forgotten all about, and decided that as a matter of personal honor he must live up to that commitment without any bargaining.

The whole show was run by Mr. Morgenthau and his Far East staff; the Department was merely tolerated as a bystander until Mr. Morgenthau asked us to come to his rescue on May 15. I doubt very much that Mr. Morgenthau would have taken kindly to efforts of the Department to keep Chungking informed of the day to day develop-

ment of Mr. Morgenthau's discomfiture, or the real reason for the sudden *dénouement*. He has been very insistent upon his right to communicate directly with Ambassador Hurley on all financial matters relating to China, which he considers to be his very special preserve. It was only natural for the Department not to interfere, particularly when it would probably only have added to Mr. Morgenthau's embarrassment.

For that matter, the Department took exactly the same position taken by Hurley, namely, that the gold should be provided only if a stabilization fund was established as a *quid pro quo*. In preliminary discussions with Treasury, we were assured that there was no outstanding commitment to give up the gold, so that we were in a position to bargain with the Chinese. Only on May 8 was this illusion shattered, when Dr. Soong produced the letter in which Mr. Morgenthau had signed the gold away a year ago. After that, it seemed only gentlemanly forbearance for the Department to forego relating this tragi-comic development to General Hurley, and let Mr. Morgenthau work his own way out of the predicament as best he could, providing him with a boost at his request with Mr. Grew's letter of May 16.

The Department did finally transmit the whole story to the Ambassador in as judicious a fashion as possible in its instruction no. 162 of June 7.<sup>84</sup> No doubt when this instruction is received, the Ambassador will understand the peculiar course of events, but his initial reaction, expressed in his telegram to Morgenthau, was entirely justified. It could scarcely have been otherwise in the absence of information about the forgotten ghost letter.

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893.51/6-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 12, 1945—3 p. m.

[Received June 12—10:50 a. m.]

969. Information directly from the Minister of Finance is that the decision to raise the price of gold to CN\$50,000 per liang (one-thirty-second of a kilogram) was arrived at in his conversation with the Generalissimo on the evening of June 7. Instructions were sent out to the banks early next morning. So far as we can determine there has been no scandal and the Minister declares there will be none.

Until the morning of June 8, the "price" for gold deposits had been CN\$35,000 per liang which rate had been in effect from March 30. This price represents the amount of Chinese currency required as

<sup>84</sup> Not printed.

deposit against delivery of gold after 6 months. Sales of gold for "delivery when available" were ordered discontinued by the government banks on May 28.

According to the Minister of Finance, the price of CN\$50,000 was arrived at by a rough calculation of the present worth, at current interest rates, of a right to receive one liang of gold 6 months hence, the present black market price of gold for spot delivery being taken at about CN\$100,000. As reported in *Commercial Daily News*, black market gold price rose from CN\$90,000 per liang on June 7 to a high of CN\$128,000 in the afternoon of June 8. On June 9, gold transactions on black market at Chungking varied from CN\$105,000 to CN\$111,800 per liang.

HURLEY

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893.24/5-3045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 12, 1945—5 p. m.

897. At meeting of representatives of the Department of State and other interested agencies<sup>85</sup> it was unanimously agreed (ReEmbs 880, May 30) that this Government should not seek a reverse lend-lease agreement with China at the present time. This question has been raised and discussed periodically for almost three years. Continued insistence of Chinese Government on a Yuan-Dollar rate of exchange out of line with purchasing power of the Yuan, plus the danger of a decrease in supplies procured under a reverse lend-lease mechanism (as compared with procurement by direct purchase by U. S. Army) makes it not only ill-advised for U. S. to set up formal reverse lend-lease operations, but also contrary to our own interests.

GREW

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893.24/6-1445

*The Administrator of the Foreign Economic Administration  
(Crowley) to the Assistant Secretary of State (Clayton)*

WASHINGTON, June 14, 1945.

DEAR WILL: I have your letter of June 1 in which you reaffirm the urgency of our satisfying the cotton textile requirement for China.

We are, of course, keenly aware of this situation and expect to place the Chinese textile requisitions as early as possible in order that their procurement may be expedited.

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<sup>85</sup> War Department, Foreign Economic Administration, and Treasury Department.

Since during the third quarter of 1945 there will be a separate set-aside provision for Treasury Procurement, we do not anticipate any difficulty in satisfying the United States portion of the Chinese requisitions.

Sincerely yours,

LEO T. CROWLEY

893.51/6-1545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 15, 1945—10 a. m.

[Received June 15—9 : 42 a. m.]

985. For the Acting Secretary. I appreciated very much receiving your message (Reurtel 889, June 9, 7 p. m.); the explanation is, of course, satisfactory. It would make me happy if in the future you could let me have background information or an explanation of a proposed transaction which I am expected to approve or implement before it is finally consummated. My position in the matter we are discussing was made difficult by the fact that Secretary Morgenthau's telegram referred to documents to which I do not have access.

I am aware that I have not yet responded fully to Mr. Morgenthau's request for my reaction to his suggestion of the establishment of a \$500,000,000 stabilization fund. The reason I have not responded is that I do not know the exact nature of the fund to be established. I have no idea what its purpose is save the rather sketchy suggestion made in Secretary Morgenthau's telegram. I do not know whether it is to be a revolving fund jointly operated by Chinese and American or whether it is to be operated by Chinese alone. If I could have copies of the documents referred to in Secretary Morgenthau's telegram they would no doubt disclose for me the basic facts on which I could formulate an intelligent opinion. As soon as I am supplied with the facts I shall be happy to express my opinion.

HURLEY

893.24/5-345

*The Acting Secretary of State to the Secretary of War (Stimson)*

WASHINGTON, June 19, 1945.

MY DEAR MR. SECRETARY: I refer to the memorandum of May 3, 1945 from Colonel L. J. Lincoln to Mr. John Carter Vincent of this Department on the subject of reverse lend-lease from China. Discussions with the Chinese Government pertaining to reverse lend-lease have been carried on over a period of about three years. The conclusion of the Department of State and other interested agencies of the Government has uniformly been that it was not worth while

to seek a reciprocal aid agreement with China. However, as a result of your communication the matter has again received the considered attention of this Department. It is the opinion of this Department and the other interested agencies that the Chinese Government in stating its contribution under a reverse lend-lease agreement would probably insist on a Yuan-Dollar rate of exchange out of line with the purchasing power of the Yuan. Furthermore, there is good reason to believe that the quantity of supplies procured under a reverse lend-lease mechanism would decrease as compared with procurement by direct purchase by the United States Army. For these reasons the Department of State remains of the belief that it would be contrary to the interests of this Government to seek a formal reverse lend-lease agreement with China.

Your memorandum indicates that efforts have been made within the China theater to obtain certified statements of charges pertaining to rations and billets now being supplied by China under an informal reverse lend-lease understanding mentioned in the letter of November 25, 1944 from the Secretary of the Treasury to Dr. H. H. Kung,<sup>86</sup> the then Minister of Finance of China. It is the opinion of this Department that it is not to the advantage of the United States that China should be encouraged to present detailed statements of reverse lend-lease charges because such statements might well be in terms of a Yuan-Dollar valuation not satisfactory to this Government. It is assumed, of course, that the War Department will keep its own detailed records including estimates of dollar values of items furnished by the Chinese Government and received by the United States forces.<sup>87</sup>

Sincerely yours,

JOSEPH C. GREW

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893.51/6-1545 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 22, 1945—6 p. m.

976. Detailed report on recent gold and stabilization fund negotiations and copies of documents were forwarded in Department's instruction no. 162, June 7,<sup>88</sup> which should reach Chungking shortly. (ReEmbs 985, June 15) Department and Treasury agree that further details on discussions and on manner in which proposed fund would operate can best be provided by Adler upon his return.

GREW

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<sup>86</sup> *Foreign Relations*, 1944, vol. VI, p. 948.

<sup>87</sup> In a letter of July 2, the Secretary of War informed the Secretary of State that the War Department agreed and had so informed the Commanding General, United States Forces, China Theater (893.24/7-245).

<sup>88</sup> Not printed.

893.51/7-1245

*The Secretary of the Treasury (Morgenthau) to Dr. H. H. Kung*<sup>89</sup>

WASHINGTON, June 27, 1945.

DEAR DR. KUNG: I am informing the War Department that we have successfully terminated the negotiations with respect to U. S. Army yuan obligations in China for the last quarter of 1944. The terms of the settlement of these negotiations as agreed upon at our conference on last Friday afternoon, June 22, are as follows:

1. The War Department shall transfer to the account of the National Government of China or the account of such agency of the National Government of China as the National Government of China designates a sum of forty-five million U. S. dollars (US\$45 million) in settlement for all U. S. Army obligations in China for the period October 1, 1944 to December 31, 1944 amounting to the sum of eight billion forty-two million eight hundred ten thousand five hundred sixty-three Chinese National dollars (CN\$8,042,810,563).

2. This settlement does not include any yuan expended by the Government of the Republic of China for board and lodging of American armed forces in China. Such sums will be credited to the National Government of China as reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942<sup>90</sup> at the request of the National Government of China.

3. It is understood that counterclaims may be made by the U. S. Treasury for reimbursement in U. S. dollars for expenditures by the U. S. Army on behalf of China for which deductions were not made at the time of settlement. Reimbursements for such counterclaims will be made by China at rates corresponding to the rates of settlement covering the periods of time during which the expenditures were actually made.

I am pleased to express to you at this time my appreciation for the fine spirit of cooperation you have always shown in your relations with the Treasury. I am sure that you will continue to do all possible to strengthen the bonds of friendship between our two countries.

Sincerely yours,

H. MORGENTHAU, JR.

893.51/7-1245

*Dr. H. H. Kung to the Secretary of the Treasury (Morgenthau)*<sup>91</sup>

[NEW YORK,] June 28, 1945.

DEAR MR. SECRETARY: I am in receipt of your letter of June 27, 1945 in which you stated that you were informing the War Department

<sup>89</sup> Copy transmitted to the Department of State and to the War Department by Secretary Morgenthau on July 12. Dr. Kung was former Chinese Minister of Finance, in the United States as personal representative of President Chiang Kai-shek.

<sup>90</sup> Department of State Executive Agreement Series No. 251, or 56 Stat. (pt. 2) 1494.

<sup>91</sup> Copy transmitted to the Department of State and to the War Department by Secretary Morgenthau on July 12.

of the successful termination of the negotiations with respect to U. S. Army yuan obligations in China for the last quarter of 1944. The terms of the settlement of these negotiations as agreed upon at our conference on last Friday afternoon, June 22, are as follows:

[Here follows quotation of paragraphs numbered 1 to 3 of Mr. Morgenthau's letter, printed *supra*.]

With reference to paragraph 2, you will recall that in our last settlement I had the pleasure to undertake for my government to provide for this item as mutual aid, and I am glad to be able to include a like provision in respect of the period October 1, 1944 to December 31, 1944. You will of course appreciate that after this date, and as to the future, with the number of American troops increasing considerably and likely to become very much greater and the lack of supplies needed by American troops, I am not in a position to commit the Chinese Government to a continuation of this arrangement.

I wish to take this opportunity to express to you my appreciation for your close cooperation in the difficult years of the war and feel confident that you will continue your splendid work of promoting and strengthening the friendship between our two countries.

Yours sincerely,

H. H. KUNG

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893.51/6-2945

*The Chinese Ambassador (Wei) to the Acting Secretary of State*<sup>92</sup>

WASHINGTON, June 29, 1945.

SIR: With reference to the provision of Article I of the Agreement dated February 4, 1941, as amended, between the National Government of the Republic of China, Central Bank of China, National Resources Commission, and the Export-Import Bank of Washington, relative to a loan of \$50,000,000 to the Central Bank, to the effect that advances on account of the loan will not be made to the Central Bank subsequent to June 30, 1945, I have the honor to inform you that the Chinese Government has authorized a further extension of that provision of the Agreement to December 31, 1945.

I am instructed to state that the following individuals, as representatives of the several parties to the Loan Agreement above referred to, have been invested with due authority to execute any and all documents necessary or convenient in connection with or to effect the further extension of the above mentioned provision of the Loan Agreement; namely, for the National Government of the Republic of China, Dr. Kan Lee, Commercial Counselor of the Embassy; for

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<sup>92</sup> Receipt of this note was acknowledged by the Acting Secretary of State on July 14.

the Central Bank of China, Mr. Hsi Te-Mou, Representative of the Ministry of Finance and the Central Bank of China; and for the National Resources Commission, Mr. Po-Wen Huang, Acting Director, New York Agency, Foreign Trade Office of the National Resources Commission. All documents executed by them under this authority will be legally valid under the laws of the Republic of China.

I shall be grateful if you will be so good as to transmit the above information to the Export-Import Bank of Washington, the Metals Reserve Company and the United States Commercial Company.<sup>93</sup>

Accept [etc.]

WEI TAO-MING

124.936/7-945

*The Ambassador in China (Hurley) to the Secretary of State*

[Extracts]

No. 527

CHUNGKING, July 9, 1945.

[Received July 26.]

SIR: The twenty-eighth meeting of representatives of United States agencies in Chungking was held at the Chancery June 12, 1945 at 10:00 a. m., with the Minister-Counselor of Economic Affairs, Mr. Walter S. Robertson, presiding. Mr. Edwards<sup>94</sup> acted as Secretary.

INFLATION: STATEMENT BY DR. C. F. REMER

Dr. C. F. Remer, Division of Financial and Monetary Affairs, Department of State, summarized the conclusions of his study of inflation in China (see Report No. 77, June 12, 1945, Chungking<sup>95</sup>). He cited evidence to show that the rate of inflation was sharply accelerated during the first four months of this year. From January to April prices rose at the new rate of twenty percent per month—a more rapid increase than for any equally brief period since 1937. Prices doubled during this four month period, the index for wholesale prices in Chungking rising from 762 to 1592 times their pre-war level. In this rise, food prices played an important part and led the way, but the prices of raw materials were not far behind. The cost of living rose by 100 per cent, and the cost of food by 125 percent.

The public finances of this period are not known in detail. It was estimated that note issue increased by about CN \$70 billion and that the total issue rose to well over CN \$250 billion. This large total does

<sup>93</sup> Copies of the Chinese Ambassador's note were transmitted to these agencies on July 14.

<sup>94</sup> Jay Dixon Edwards, Second Secretary of Embassy.

<sup>95</sup> Not printed.



not include advances to the United States Army in China, which Dr. Remer estimated at no less than CN \$55 billion for the first four months of 1945.

It is possible that the total expenditures of the Government during the first four months of this year reached a total of CN \$130 billion of which taxation brought in around CN \$25 billion and sale of gold the large sum of CN \$35 billion.

#### NEW FACTORS RESPONSIBLE

New factors in the 1945 situation include greatly increased payments to the Chinese army. A table of payments of salaries and allowances to officers and men in Chungking shows a general increase in food allowances from CN \$190 a month in the last quarter of 1944 to CN \$400 a month during the first quarter of 1945, and to CN \$2800 a month from April 1, 1945. A soldier of the class which received CN \$290 in monthly pay and allowances before January 1, 1945, was paid CN \$500 after January 1, 1945, and CN \$4,000 after April 1.

The new Chinese Service of Supply is buying supplies for thirty Chinese Divisions. Its expenditures, and the sums required for military operations, explain a considerable part of the increased note issue of the Chinese Government.

The situation created by the Japanese advance in 1944 has required the expenditure of a substantial but unknown amount in relief and immediate rehabilitation in Kweichow province. The activities of the War Production Board have increased, but the total advanced by the Board has not been a large factor.

Loans by the War Production Board to 77 industrial and mining units are reported to have been CN \$2.5 billion in March, 1945 (the Board came into existence on November 16, 1944) and CN \$4.5 billion in May. The four government banks reported an increase in industrial loans from an average of about CN \$1.5 billion in January and February 1945 to CN \$5 billion in March and CN \$8.8 billion in April.

As already indicated, advances to the United States Army for expenditures in China were placed at no less than CN \$55 billion during the first four months of 1945. The fact that these advances constitute a claim against the United States Government may justify their exclusion from China's budget deficit, Dr. Remer stated, but the effects of these notes upon prices and inflation in China is not any less because of such a bookkeeping operation.

#### A FIRST INTERPRETATION OF CHINA'S ECONOMIC POSITION

Two possible interpretations were offered of China's current economic position. According to the first, super-inflation or runaway inflation—if it has started or when it comes—is an indication that the

capacity of China to wage war has been fully reached. A persistent effort to go beyond this capacity must finally result in a breakdown, or economic collapse, which will be severe in its consequences. In this view, China has attempted to do more than its economy can sustain, and it was these efforts that produced the strain on its economy which doubled prices in early 1945 and threatens more trouble in the future.

Under this interpretation, the chief obligation of the United States Government is to discover as quickly and as accurately as possible how much of a burden the Chinese economy can carry. A second obligation is to work out, if possible, a continuous index of China's capacity. A third and related obligation is to adjust the demands upon the Chinese economy, insofar as the American Government can do so, to the possibilities that have been discovered.

#### A SECOND INTERPRETATION

A second, though related, interpretation finds the key to understanding China's situation not in the ultimate capacity of the Chinese economy to wage war, but in the degree of effectiveness of the financial machinery of the Chinese government. From this point of view, the significant matter is the weak position of the Government in the Chinese economy, and the fact that the Government does not have at its disposal the financial means to translate its great needs into really strong pressure upon the Chinese economy. Runaway inflation, it might be said, is an indication that the pump is failing to work, and does not indicate that there is no more water in the well.

If, under this interpretation, inflation is pushed to the extreme, the result will be not a collapse of the Chinese economy, but a collapse of the method of taxation by inflation. The Chinese government will be required to find a different way forward, by a more extensive use of direct levies, such as taxes-in-kind, by rice allowances to soldiers, by direct assignment of raw materials to plants engaged in war production, and by similar devices.

Under this interpretation, according to Dr. Remer, the Government of the United States is called upon by its obligations to an Ally to assist in making as effective as possible the financial machinery at the disposal of the Chinese Government. The detailed methods would require full examination from the Technical point of view in collaboration with the Chinese Government.

Dr. Remer concluded by stating that political considerations would play an important role in any interpretation of Chinese inflation which turns upon the effectiveness of the government's financial machinery, especially since the failure of financial machinery may threaten political stability. In this sense, the politics of inflation might well be more significant than [than] the economics.

## DISCUSSION

Following a comment by Mr. William T. Stanton, Foreign Economic Administration, that the breakdown mentioned under the second interpretation—if it occurred—might not lead to any very great chaos, Dr. Remer said that one Chinese view sees relief coming from the reacquisition of lost provinces. As more territory is brought under the Central Government's control, currency will be spread thinner. It is thought that if as much as one-third of the currency then comes back in taxation, the system will not break down.

Colonel Young,<sup>96</sup> Theatre Judge Advocate, asked how a reverse Lend-Lease Agreement might affect the inflationary situation. The Chairman, Mr. Robertson, replied that unless increased demands were made upon the Chinese economy under Lend-Lease, the mere execution of a Reverse Lend-Lease Agreement formalizing and giving due credit for the reciprocal aid now being furnished by the Chinese, would have no effect on the situation one way or another. Mr. Joyner, Foreign Economic Administration, concurred.

Mr. Kearney, Deputy in Charge of the American Production Mission, was inclined to agree that poor economic mobilization was a very important factor in explanation of China's present economic situation. Granting that the potential of the economy is limited according to our standards, much more could be done with the resources at hand than actually is being done. He cited the high percentage (50 per cent) of rejects in foundries and other industrial establishments, the way in which cotton was allowed to leak out into enemy territory in 1944, and other matters. He warned against the defeatist attitude of many Chinese. Citing fuel alcohol as a case in point, he stated that production in a number of lines could be increased if inertia could be overcome and an opportunity given to solve particular problems of production or financing. In concluding his remarks, Mr. Kearney commended FEA on its endeavors to have the Chinese themselves provide as much as possible of the materials of war production.

Respectfully yours,

For the Ambassador:  
WALTER S. ROBERTSON

893.5151/7-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 18, 1945—3 p. m.

[Received July 18—1:25 p. m.]

1179. American firms remitting to branches in China are granted rate of 40 to 1. With open market exchange rate at approximately

<sup>96</sup> Col. Edward H. Young.

3,000 to 1 and prices at present level this makes an impossible situation for local branches of American firms.

According to our information, only business remittances from the United States in practice are now so penalized. Overseas Chinese can now remit at 500 to 1. Dollar funds from United China relief and other philanthropic and educational bodies are sold through the United Clearing Board at C rate adjusted from time to time by the board's directors, the present being 1650 yuan per dollar. Chinese Government agencies such as the Szechwan and Yunnan Provincial Governments, as well as ministers of the National Government, are among the purchasers of U. S. dollars through the United Hearing Board, and at its established rates. Personnel of United States civilian and military agencies are paid in United States currency which now has open market value of approximately 3,000 to 1.

British firms, now active in trade promotion, can remit through the "exchange channel" operated by the British Embassy. Sterling deposits in London are sold through the British Embassy and Consulates, principally at Kunming, at rates usually approximating United Clearing Board rates. British firms use this channel on exactly the same basis as does the British Government for its local expenses. The British system operates with the knowledge but not the official approval of the Chinese Ministry of Finance, as does the United Clearing Board and the United States Embassy in paying salaries in U. S. currency to be converted at open market prices.

Please advise Commerce and confirm with Treasury local information that licenses can be granted for deposits in New York against which local branches can sell at privately arranged rates. If such is case, please advise International General Electric Company, with whom Robertson<sup>97</sup> discussed remittance problem before his departure, and other companies concerned.

HURLEY

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893.51/8-145

*The Chinese Ambassador (Wei) to the Acting Secretary of State*<sup>98</sup>

WASHINGTON, August 1, 1945.

SIR: With reference to the agreement dated February 4, 1941, as amended, between the National Government of the Republic of China, Central Bank of China, National Resources Commission, an agency

<sup>97</sup> Walter S. Robertson, Minister-Counselor for Economic Affairs.

<sup>98</sup> Receipt of this note was acknowledged by the Secretary of State on August 17.

of the National Government of the Republic of China, and Export-Import Bank of Washington, I have the honor to inform you that the Chinese Government has authorized a further amendment to the effect that loans shall be made available pursuant to such agreement, subject to the approval of Export-Import Bank of Washington in each instance, to finance the purchase or hire of United States services in addition to the purposes originally stated.

I am instructed to state that the following individuals as representatives of the several parties to the loan agreement above referred to, have been invested with due authority to execute any and all documents necessary or convenient in connection with or to effect the amendment of the above mentioned loan agreement: namely for the Republic of China, Dr. Wei Tao-Ming, Ambassador Extraordinary and Plenipotentiary; Mr. Hsi Te-Mou, Representative of the Ministry of Finance and the Central Bank of China; Mr. Po-wen Huang, Acting Director, New York Agency of the Foreign Trade Office of the National Resources Commission. All documents executed by them under this authority will be legally valid under the laws of the Republic of China.

I shall be grateful if you will be so good as to transmit the above information to the Export-Import Bank of Washington.<sup>99</sup>

Accept [etc.]

WEI TAO-MING

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103.9169[/8-245] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 2, 1945—10 a.m.

[Received 3:05 p. m.]

1271. To Crowley for Harding<sup>1</sup> from Stanton: We are informed Dr. Soong is cabling his Embassy to initiate early conclusion of "3c" agreement.<sup>2</sup> This matter has been informally discussed with ourselves, Embassy and headquarters, all of whom consider this action desirable. [Stanton.]

HURLEY

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<sup>99</sup> Copy of the Chinese Ambassador's note was transmitted to the Export-Import Bank on August 8.

<sup>1</sup> Donald F. Harding, Deputy Director of the China Division of the Far East and Special Territories Branch, FEA.

<sup>2</sup> Reference to Section 3 (c) of "An Act to Promote the Defense of the United States"; commonly known as the Lend-Lease Act, approved March 11, 1941; 55 Stat. 31.

893.51/8-445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 4, 1945—11 a. m.

[Received 12:55 p. m.]

1286. Secretary [of the] Treasury,<sup>3</sup> Washington, from Adler:

(1) Mr. Tsuyee Pei, Chief Financial Advisor to Dr. Soong, is leaving for Washington in the next day or two to discuss the following questions with the Treasury:

(a) Settlement of U. S. Army expenditures in China. Dr. Soong, at a conference with the Ambassador and members of the Embassy and Army on August 2, indicated that it should be possible to institute a more satisfactory basis of settlement than the existing one; he informally suggested that the payment of a flat sum per month would be preferable.

(b) The Chinese currency situation, including the status of the China program of Foreign Funds Control.<sup>4</sup>

(c) A clause 3-c lend lease agreement which would, of course be discussed with all the agencies involved.

(2) Dr. Soong will proceed to Washington to participate in these discussions later. [Adler.]

HURLEY

893.51/8-645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 6, 1945—3 p. m.

1205. Re Emb's despatch 460, June 6,<sup>5</sup> with enclosure, and Instruction 162 of June 7, 1945.<sup>6</sup> Suggest Emb consult with appropriate American officials regarding possible use of gold bullion as means of combating adverse effects of inflation and hoarding on Chinese war production.

Producers under contract with Chinese Govt. could be made preferred buyers of bullion under arrangement by which producers would be allowed to use all or part of contract payment to purchase bullion previously set aside for that purpose by Chinese Govt. Selling price of gold to producers could be official gold price existing at time of completion of contract, signing of contract, or an average thereof, depending upon whether govt. gold selling price continues as in past to be substantially below open market price.

<sup>3</sup> Fred M. Vinson.<sup>4</sup> Assets in the United States of Chinese nationals were "frozen" or "blocked" by the Treasury Department's Foreign Funds Control.<sup>5</sup> *Post*, p. 1428.<sup>6</sup> Not printed.

Proposal would seem to have advantage of providing producer with hedge against inflation in that market price of gold tends to rise as purchasing power of Chinese currency declines. Producer also given opportunity to hoard gold rather than essential commodities. Chinese Govt's. purpose of using gold to combat currency inflation not impaired and there is additional advantage of initially placing gold in hands of producers rather than speculators.

For Emb's info Locke <sup>7</sup> of Nelson Mission forwarded above suggestion to Jacobson <sup>8</sup> after seeing Department inter-office memo proposing use of gold as outlined.

If Emb considers plan advantageous, Dept. suggests it be taken up informally with responsible Chinese officials.

[GREW]

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893.51/8-745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 7, 1945—4 p. m.

[Received August 8—6:20 p. m.]

1298. Secretary of Treasury, Washington, from Adler.

(1) In conversations with T. V. Soong, O. K. Yui, and Tsuyee Pei, recent and current gold policy was discussed. Following reasons were given for suspension of gold sales on June 26.

(a) There was a very sharp rise in demand for gold in period immediately preceding suspension. On one day forward sales reached 70,000 ounces and the black market spot price rose to CN \$120,000 to 130,000 per ounce, 140 to 160 percent above official price. A drastic rise in official price of gold in this situation would have itself created panic in money market and induced a steep rise in general prices. At same time raising price around 50 percent would not have restricted demand sufficiently to prevent rapid depletion of government gold.

(b) Demand for funds to purchase gold and to speculate in gold deposit certificates, which were selling as high as 8 percent of black market spot price, was inducing a crisis in Chungking money market and the liquidity of the native banks was immediately threatened.

(c) At same time publicity given to news that large amounts of gold were en route from United States served to reassure buyers that government could meet commitments and resume selling.

Accordingly, Soong and Yui decided to suspend sales temporarily. Decision was taken shortly after Soong's return from United States.

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<sup>7</sup> Edwin A. Locke, Jr., successor to Donald M. Nelson as Personnel Representative of President Truman and as head of the American Production Mission in China.

<sup>8</sup> James A. Jacobson, Deputy in charge of the American Production Mission.

(2) On July 30 Supreme National Defense Council adopted Soong's proposal that as from July 31 a 40 percent "contribution" be imposed on all unmet gold commitments, contributors to be given option of paying either in kind or at current official price which was fixed at CN \$170,000 per ounce as of July 31. Purchases of one ounce are exempt from "contribution". The measure has come in for much and severe criticism in financial circles and in the press ranking from Conservative to Extreme Left on grounds that:

(a) It is discriminatory, leaving all gold purchasers who received their gold prior to July 3 untouched.

(b) It is a breach of contract and therefore a blow to confidence.

(c) A progressive rather than a flat rate should have been adopted.

(d) The exemption is too low. It is reported that smaller purchasers have rioted on Central Bank premises in leading cities.

Soong asked me to inform you that even though the measure had been advised of being confiscatory and in the nature of capital levy, he had pushed it through both because of urgent need for exploring revenues and because of his assurance to the Treasury that inordinate profits of gold purchasers would be taxed. Yui was more lukewarm in his comments, indicating that he would have preferred a measure that would have taxed all gold, including gold already delivered, even though it would have been administratively cumbersome and would have required registration of all gold holders. He intimated that a progressive tax would have been ineffectual as large buyers made their purchases through numerous dummies.

(3) Tax is expected to yield around CN \$150,000,000,000 by end of year. Since its imposition black market spot price for gold has fluctuated violently between CN \$200,000 and 300,000 per ounce: Chungking money market tight owing to demand for cash to meet the tax for delivery of gold against past commitments has been resumed. There will be only nominal sales of new gold until bullion is melted down. [Adler.]

HURLEY

811.515/8-845: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 8, 1945—8 a. m.

[Received August 9—1:50 a. m.]

1303. Secretary [of the] Treasury, Washington, from Adler. Following background of Kung's purchase of U. S. \$10,000,000 currency in Washington in June will be of interest. Acting Manager of Central Bank informs me that he had asked Kung to obtain \$100,000 to \$200,000 of U. S. currency to enable Central Bank to control any untoward developments in open market for U. S. currency. Kung, on



own initiative and without consulting either Minister of Finance or Executive Yuan, asked for \$10,000,000 of U. S. currency, which Treasury agreed to give him in small denominations gold seal, \$1,000,000 of which he brought with him. It transpires that market here has no use for gold seal currency, but I learned informally that Chinese Government does not intend to bring remaining \$9,000,000 to China. Minister of Finance has promised to keep me informed of any further developments. [Adler.]

HURLEY

893.51/8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—11 a. m.

[Received 4 p. m.]

1312. Secretary of the Treasury, Washington, from Adler.<sup>9</sup> Ambassador Hurley informs me that he is strongly in favor of China's setting up a U. S. dollar half-billion currency stabilization fund, provided that fund is constituted from China's existing dollar assets. He is definitely of opinion, and has told T. V. Soong, that American voice and advice should be heard in management of fund. Ambassador Hurley has also discussed fund with Generalissimo. [Adler.]

HURLEY

893.51/8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—1 p. m.

[Received August 13—10:30 p. m.]

1313. Embassy is reliably informed that the Executive Yuan has declined to approve the arrangement of foreign loans (guaranteed by the Chinese Government) by individual Chinese companies. It is understood that Dr. T. V. Soong recently stated in a meeting of the Executive Yuan that the Chinese Government itself will undertake to negotiate a single lump sum loan from each of several foreign countries. Further, that the placing of orders abroad and the distribution and use of the proceeds of such loans within China will also be a matter for the Government's decision.

Mr. Lu Tso-fu, General Manager, Ming Sung Industrial Company, advises that this reversal of policy was revealed last week when consideration was being given in the Executive Yuan to his company's

<sup>9</sup> Presumably in further answer to Department's telegram No. 761, May 20, 1 p. m., p. 1096.

request for formal approval of its financial arrangements with the Canadian Government. Also considered at the same meeting was an application from the Yung Li Chemical Corporation for approval of his loan from the Export-Import Bank, Washington.

With respect to the Ceng Ming Industrial Company, Mr. Lu stated further that the Government proposes itself to make the purchase of vessels for which the proceeds of the Canadian loan were to be used. The Government also intends to retain title to the vessels after their purchase and to lease them to the Ming Sung Company to operate.

Mr. Lu has not yet been officially notified by the Executive Yuan that the action described above has been taken. He has been privately informed by Dr. T. V. Soong's statement, and he has been asked what his reaction would be if such a plan were carried out.

In conversation with Robertson regarding general economic policies, Dr. Wong Wen-hao<sup>10</sup> mentioned the case of Yung Li Chemical Corporation whose arrangements with Export-Import Bank for a 16 million dollar loan failed to receive the approval of Dr. T. V. Soong, the latter's position being that he preferred to negotiate an over-all loan from the United States Government.

Leading Chinese industrialists are working for a development of post-war trade on a free enterprise basis. It goes without saying that Dr. T. V. Soong's action, if carried through, would strike a body blow against private investment and trade in the coming years.

Please inform Treasury, Export-Import Bank, and Commerce.

HURLEY

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893.5151/7-1845 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 10, 1945—6 p. m.

1235. For Adler from the Secretary of the Treasury. This will confirm your information (ReEmbs 1179 of July 18, 1945) that Treasury had issued, and is still prepared to issue, blanket licenses to interested domestic banks permitting them to effect transfers from a blocked account of any United States citizen or any partnership, association, corporation, etc. located in China which is wholly or substantially owned by United States citizens to a blocked account with a banking institution in the United States of any reputable person located in Free China. The terms of these blanket licenses, however, do not permit the sale in China of U. S. dollar drafts or checks.

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<sup>10</sup> Vice President of the Chinese Executive Yuan and Minister for Economic Affairs.

The transfers from the seller's blocked account must be effected only by him and he is required to instruct his bank in the United States, by whatever means he deems desirable, to effect such transfers. In addition, the transfers will be permitted only if they are to be made to the blocked accounts of the persons in China who are the purchasers of the dollars.

For your information, Treasury is prepared to act favorably on an individual case basis on applications for licenses to transfer from the blocked account of any person located in China funds to be paid to persons within the United States for the purpose of financing the purchase within the United States of goods for exportation to China for the account of the person in China whose account is to be debited.

We have received reports that the official rate for remittances from the U. S. to China of CN\$20 to US\$1 has been changed to CN\$500 to US\$1 and that this rate applies only to Chinese but not to Americans residing in the United States, who, it is further reported, receive a CN\$40 to US\$1 rate.

Please verify these reports and reply immediately.<sup>11</sup> [Morgenthau.]

BYRNES

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893.515/8-1345 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 13, 1945—2 p. m.

1246. For Adler from the Secretary of the Treasury.

1. The Navy has requested us to procure for their use in China 1 billion of Chinese currency.

2. It would be preferable for the Navy to procure its currency needs in China in the same way as Army. Dr. Kung assured us that such arrangements for the Navy had been established but they do not seem to be working.

3. The Navy is instructing its disbursing officer in Kunming to contact you. After discussion with him you are to discuss this matter with Minister of Finance with view to the establishment of same procedure for Navy as for Army.<sup>12</sup> [Morgenthau.]

BYRNES

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<sup>11</sup> In telegram No. 1355, August 14, 3 p. m., the Embassy reported that the official rate for overseas Chinese was 500 to 1 and for Americans, 40 to 1 (893.5151/8-1445).

<sup>12</sup> In telegram No. 1384, August 18, 1 p. m., Mr. Adler reported that this arrangement had been made (893.515/8-1845).

893.51/8-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 14, 1945—2 p. m.

[Received August 15—7:55 a. m.]

1354. Re your 1205, August 6, Embassy considers advantageous your proposal for use of gold bullion to combat effect of inflation on Chinese war production. Taking up questions informally with responsible Chinese officials would be an excellent way of ascertaining whether Chinese intend to use gold to combat inflation. In view of present obscure situation, however, suggest we delay discussing matter informally with Chinese. Please repeat to Treasury.

HURLEY

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Nanking Embassy Files, Lot F 73*Memorandum by the Treasury Representative in China (Adler)*

[CHUNGKING,] August 17, 1945.

1. The Treasury has repeatedly indicated to the Chinese authorities its views that the sale of gold in China was not an effective anti-inflationary weapon. Ambassador Hurley's confirmation of the Treasury's views was conveyed in cable No. 74 of January 17, 1945. Acting Secretary Grew in a letter of May 16, 1945 to Secretary Morgenthau expressed agreement with the Treasury that the sale of gold in China had not proved and was not likely to prove a very effective device for the curbing of inflation. He also fully endorsed the desirability of the Chinese setting up a \$500 million fund for combatting inflation and stabilizing the Chinese currency, as proposed by Secretary Morgenthau in his memorandum of May 8, 1945, to Dr. Soong. Ambassador Hurley indicated his support of this proposal in cable no. 1312 of August 9.

2. Dr. Soong in a memorandum of April 20 to Secretary Stettinius stated that "the continued sale of gold will be the most important single factor in blotting up large issuance of banknotes." He indicated in a memorandum of May 9 to the Secretary of the Treasury that the credit of the Chinese Government must be maintained by the immediate delivery of gold to meet its commitments now outstanding. "Such an effective and proven instrument to combat inflation as is represented by our gold sales cannot be abandoned." If the Chinese Government were assured of immediate and substantial shipments of gold to China, it would reinforce its gold sales policy by:

a. Increasing the price of gold so as to bring it more into line with general prices and secure a greater yield to the Government. (The

price of gold was raised from CN\$35,000 to CN\$50,000 per ounce on June 8.<sup>13</sup>)

*b.* Discontinuing the forward sale of gold and eliminating the differential between the official and black market price for gold.

*c.* Instituting a scheme for taxing the windfall profits of gold purchasers.

*d.* Discussing with Treasury representatives the most desirable method of conducting gold sales and inviting a Treasury representative to sit on a Gold Sale Committee in Chungking. (As virtually no gold has been sold since June 26, presumably there would not be any point in extending such an invitation.)

Dr. Soong concluded his memorandum with the following dire prediction: "Unless the promise made by President Roosevelt and the Treasury to make gold available be fully implemented, a disastrous financial collapse in China is plainly indicated, which will inevitably be followed by a military collapse."

3. On June 19 Dr. Soong returned from Washington. On June 26 all sales and deliveries of gold were suspended.

This action seemed all the more startling in view of Dr. Soong's frequent assertions in Washington that discontinuance of the sale of gold would bring about financial collapse. The explanations<sup>14</sup> offered for this action were not very convincing.

4. On July 31 the official price of gold was raised to CN\$170,000 per ounce, and deliveries and sales were officially resumed. Actually, however, the sales have been only nominal and the black market price is now only about 60 per cent of the official price.

5. On the same day a 40 per cent tax on gold, payable either in kind or at the prevailing official price of gold, was instituted. Dr. Soong assured Mr. Adler that this tax was imposed in conformity with his promise to the Secretary of the Treasury that there would be retroactive taxation on forward buyers of gold in order to tax windfall profits arising from the rise in prices. The tax has created much controversy and criticism on the grounds of its lack of equity and the breach of contract involved. Since the institution of the tax about 100,000 ounces of gold bought forward have been delivered.

6. *It is clear that since the receipt of large amounts of gold there has been little pretense of using it as an anti-inflation weapon.* Dr. Soong in his memorandum of May 9 to the Secretary of the Treasury stated that China would sell gold at the rate of 1,000,000 ounces every three months. Actually about 700,000 ounces were sold in May and June and virtually none has been sold since. Moreover, the Minister of Finance informed Mr. Adler on August 3 that he contemplated selling about a million ounces by the end of the year, i. e., in a five-

<sup>13</sup> See Embassy telegram No. 969, June 12, 3 p. m., p. 1104.

<sup>14</sup> See Embassy's telegram No. 1298, August 7, 4 p. m., p. 1117.

month and not a three-month period. Even if this plan were carried out, China would still have over 2,000,000 ounces of gold at the end of the year, assuming all deliveries are made and all past commitments are met, and not allowing for receipts of gold from the payment in kind of the tax on gold.

7. The Minister of Finance raised the question of the price of gold with Mr. Adler on August 16. Mr. Adler asked him what the effect of the termination of the war would be on his budgetary plans and he said it was too early to know yet. Therefore the whole question of the price of gold would be left open until the Government's budgetary plans had become clear.

8. To the best of our knowledge, no reply has been received from Dr. Soong or any other representative of the Chinese Government on the Treasury's proposal that a half billion dollar currency stabilization fund be instituted. The timeliness of this proposal is even more evident now than when it was first made.

S[OLOMON] A[DLER]

Addendum, August 22. On August 20 the Ministry of Finance temporarily permitted the use of gold as collateral in interbank loans. With the adoption of this measure the last anti-inflationary vestige of the gold policy disappears. (SA)

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893.24/8-1845: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 18, 1945—10 a. m.

[Received 10:02 p. m.]

1379. The following is a paraphrase of radio from Headquarters CT<sup>15</sup> to the Adjutant General, Washington:

"Pertaining to Civil Affairs and Lend-Lease procurement and accounting, the following recommendations are made in reply to your radio Warx 47369:

(1) That there be made available to the Chinese Government all present Lend-Lease supplies of all types on hand in IBT<sup>16</sup> and CT at day of capitulation which were procured originally for the Chinese.

(2) That delivery to the China Government be made of all Lend-Lease items in transit to the port of embarkation, at the port, or afloat at the day of capitulation, upon receipt in either the IBT or CT.

(3) That offer be made to Chinese Government of all U. S. items in stocks in CT which it is considered uneconomical for the U. S. to package and ship back to the United States.

<sup>15</sup> China Theater.

<sup>16</sup> India-Burma Theater.

(4) That offer be made to CG-CT<sup>17</sup> for use by U. S. forces or offer to Chinese Government of all items in stock in the IBT declared surplus to that theater and considered uneconomical by them for packaging and shipping to the U. S.

(5) That screening and forwarding of procurement requisitions submitted by the Chinese Government for minimum essential requirements not available from the sources above-mentioned be continued by FEA or similar agency, such items as those necessary for civilian aid for the prevention of starvation, unrest and disease. Not to be considered are requirements within the capabilities of UNRRA.<sup>18</sup> Should agreement be made with Chinese Government under 3 (c) clause of Lend-Lease Act, it is assumed that transfer of any item as outlined above would be charged to the Government of China under the provisions [of] said clause. Request is made for proper basis for transfer if such agreement is not consummated.

Military as well as non-military items which may be required for mopping-up operations as well as assistance in civil problems are included in the above recommendations. That above policy be effective immediately upon formal end-of-the-war announcement and for an initial period of 3 months thereafter is our recommendation, also that it be subject to renewal. War Department decisions on above requested to be transmitted as soon as possible.”

HURLEY

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893.51/8-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 18, 1945.

[Received August 19—10:05 a. m.]

1383. Dr. Soong was not in good standing with his Government when I arrived in China. I found very few Chinese who were western-minded. Dr. Soong's Harvard education, his 11 years' banking experience in the United States and long official service there has given him an insight to the American situation that is unsurpassed by any Chinese I have ever known. In the dark days when the collapse of the Chinese National Government was freely predicted, when the Chinese Armies were in full retreat and when there was what appeared to be an unbreakable deadlock between the Generalissimo and the American High Command, I turned instinctively to a Chinese who

<sup>17</sup> Commanding General, China Theater (Wedemeyer).

<sup>18</sup> United Nations Relief and Rehabilitation Administration.

could understand what I was saying and could make the Generalissimo understand. Conversely he could make me understand the Generalissimo. This is a prelude that will indicate my close relations with Dr. Soong. I now feel that I must attempt to convey to you the present attitude of Dr. Soong toward the United States.

Dr. Soong has said to me that he will discuss with appropriate officials in Washington the question of a grant, a loan or other form of economic assistance to China. Soong said that if the United States does not give him the kind of aid he desires he will obtain it from the British. Personally I see no objection to this attitude. In fact, I would be among those who would be happy if he could obtain from the British some of the economic assistance that China unquestionably needs. I may be telling you some facts that you already know about Soong; however, if you wish to ascertain the character of his former transactions with the United States, you should consult General Marshall,<sup>19</sup> the Secretary of War<sup>20</sup> and, perhaps, certain officials of the State Department.

The highest officials of the Chinese Government have told me categorically that China does not wish to become a "debtor nation", that China wishes her post-war economic relations with the United States to be on a mutually beneficial basis. When Dr. Soong recently returned in triumph from America he was able to tell the Chinese that:

1. He received a very favorable press in America. He actually boasted to the Chinese that he had.
2. Obtained an unconditional commitment for dollars gold 200 million.
3. He obtained what he termed a virtual commitment for 20,000 tons of textiles on Lend-Lease and,
4. 15,000 trucks later increased to 19,000.

Soong said that the Chinese Government was prepared to pay cash for the textiles. Notwithstanding this, Mr. Willauer, of FEA, former President of the China Defense Corporation, advocated that the textiles be furnished under Lend-Lease. Willauer obtained approval for free textiles for China on the ground that they constituted a military requirement. Actually all military requirements had been filled and FEA representatives in China had disapproved the request to furnish the textiles in question under Lend-Lease. The position of the FEA officials here was that the giving of textiles to be sold to provide revenue for the Government was equivalent to Lend-Leasing money. In his elation over his success, Dr. Soong was disparaging in his estimate of the character and business capacity of the gentlemen who supplied China and Dr. Soong with the above money, equipment and goods.

<sup>19</sup> General of the Army George C. Marshall, Chief of Staff, U. S. Army.

<sup>20</sup> Henry L. Stimson.



In the conversation with Robertson, Economic Minister, and me on July 26th, in which we presented the views of the State Department in regard to the Yangtze-Gorge project as outlined in 1075, July 11th,<sup>21</sup> Soong appeared impatient and remarked that if the United States did not approve the project the necessary financial assistance could be procured by him elsewhere. In a later conversation with me he remarked that he was not interested in whether the State Department approved or disapproved. He said he knew how to handle the situation in Washington and that he would get what he wanted. He went further to say that a "no" from the State Department is always helpful to him with the other agencies in Washington. Recently Soong has indicated that in every phase of business he desires to transact with the United States he wants to bring some kind of a "squeeze play" into operation. He told me that in the event he did not get what he thought China needed in Washington on the present visit he intended to visit both Canada and England before returning to China and that he was certain he would obtain assistance from them. Soong's attitude in endeavoring to obtain American approval of his requests by threatening that unless the kind of assistance he required is immediately forthcoming he will obtain it from others seems to have infiltrated to other departments of the Chinese Government. A letter, dated July 20th, from General Chen Cheng, Minister of War, to General Wedemeyer, making requests for certain Lend-Lease supplies, concluded with the following paragraph, "Should it not be possible for the United States Government to supply the above equipments within a short period, this Ministry intends to make application to the Canadian authorities in the matter". In this connection the equipments which the United States has been requested to supply for the X, Y and Z forces would constitute more equipment than that required for four times the military forces of Canada. On the suggestion of the Army, the letter of General Chen Cheng was withdrawn and re-submitted without the offending sentence.

It should be recalled that in his conversations in Washington in May, Soong stated that unless China received free gold from America "a disastrous financial collapse is plainly indicated which will inevitably be followed by military collapse". In other words, every favor that Dr. Soong requests is accompanied by a threat of damage to the United States unless his request is immediately fulfilled. Dr. Soong has said that the continued selling of gold is the most important single weapon for combatting inflation in China. Dr. Soong returned to Chungking on June 19th. On July 26th the sale of gold was suspended altogether. The sale of gold was resumed on July 31 but sales have been only nominal. Soong did place a 40 percent tax on

<sup>21</sup> *Post*, p. 1431.

gold profits, which accounts in part for the fact that capital is not attracted to gold purchases. There is little pretense of using gold as an anti-inflationary weapon. The winning of the war is having an effect on inflation.

We are advised that the Chinese Government has not replied to the Treasury's proposal that China institute a one-half billion currency stabilization fund for its existing exchange in America. Soong told me that he would not establish such a fund out of Chinese resources but inasmuch as it had been suggested by the American Treasury Department he expected on this visit to obtain the stabilization or revolving fund from the United States. I have related the foregoing to you with great reluctance. I am on the most friendly terms with Dr. Soong. I have advised him that his attitude toward the United States is wrong. That the various "squeeze plays" that he proposes are naive. If he wishes to do business with the United States from here out, he must approach our Government officials on a realistic basis. That all the threats about the collapse of the Chinese Government, the defeat of the Chinese parties and disaster to the American cause in China are all now obsolete.

I am convinced that the United States is interested in the economic future of China. China in my opinion, is willing to acquire economic aid from the United States on a mutually beneficial basis and not as a gift.

HURLEY

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893.51/8-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 18, 1945—3 p. m.

[Received August 18—10:43 a. m.]

1386. I have just received from Dr. K. C. Wu, Acting Minister for Foreign Affairs, the following letter from President Chiang Kai-shek to President Harry S. Truman, which is self-explanatory and is, in full as follows:

"I beg to inform you that Dr. T. V. Soong, President of the Executive Yuan, has come to Washington from Moscow in pursuance of my instructions in order to discuss with you various problems concerning Sino-American cooperation in the post-war period and to acquaint you with the details of the Sino-Soviet talks which have been recently concluded and have resulted in the signing of a new treaty between China and the Soviet Union.<sup>22</sup> Please be good enough to receive Dr. Soong in his capacity as my personal representative, and I can assure

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<sup>22</sup> For documentation on this subject see pp. 851 ff: for treaty signed at Moscow, August 14, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

you that I shall deeply appreciate any courtesy that you may extend to him during his visit to Washington. I avail myself of this opportunity to thank you again for the United States' assistance to China and to express to you my best wishes for your personal well being. Chiang Kai-shek by K. C. Wu."

HURLEY

893.51/8-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 18, 1945—10 p. m.

[Received August 19—12: 35 p. m.]

1393. Secretary of Treasury from Adler. Minister of Finance informed me on the 16th that the Government is sending Jian Chen, Deputy Governor of Central Bank, to Shanghai as financial commissioner to handle urgent financial problems. Government will impose death sentence for refusal to accept *fapi* in occupied areas. It intends to redeem puppet currencies of low denominations up to a specific amount and within a specified period not yet determined. The registration of holdings of puppet currency will also be required, no military yen will be redeemed. Minister estimated CRB<sup>22a</sup> dollar circulation at 500 billion dollars and thought the cost of redemption would not exceed CN 2 billion dollars.

2. In same interview Minister raised question of changing price of gold since official price was substantially higher than open market price. I asked him how termination of war affected his budgetary plans. He replied that it was too early to know yet and intimated that therefore nothing would be done about official price of gold for the time being. [Adler.]

HURLEY

893.51/8-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[Extract]

CHUNGKING, August 18, 1945—11 p. m.

[Received August 19—1: 49 p. m.]

1394. To Secretary of Treasurer from Adler.

Since Japanese surrender negotiations there have been heavy fluctuations [in prices], with grains and export commodities tending to gain or hold their own and other commodity prices falling sharply. Cotton textiles have fallen 40-50%.

4. U. S. dollar rate which had reached as high as 3400 on July 9 has fallen from 2500 in first week of August and quite sharply since

<sup>22a</sup> Chinese Reserve Bank.

surrender negotiations, reaching a low of 1250 in Chungking on August 15, and recovering to 1400 on the 17th. In Kunming it is quoted at 1000. Rupees are selling at 400. Quotations for U. S. dollar backed savings certificates and bonds have fallen sympathetically but little business is being done. United Clearing Board rate was 1650 up to a week ago with little business transacted since.

5. Open market price of gold fell to \$88,000 per ounce on the 15th but recovered to \$102,000 on same day. Minister of Finance informs me that about 100,000 ounces have been delivered against past commitments since resumption of delivery. Half the takers paid the 40% tax in kind.

6. The money market is extremely tight with interest rates of 15 per month not uncommon. The failure of a number of Chungking native banks is expected. [Adler.]

HURLEY

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893.24/8-1845

*The Administrator of the Foreign Economic Administration (Crowley) to the Chairman of the Chinese Supply Commission (Wei Tao-Ming)*

[WASHINGTON,] August 18, 1945.

DEAR DR. TAO-MING: In view of the termination of hostilities, the Foreign Economic Administration is desirous of entering into discussions and negotiations immediately with you relating to the discontinuance of its lend-lease aid to your government in an expeditious manner which will best promote the mutual interests of our respective governments and which will be consistent with the provisions of the Lend-Lease Act. I suggest in connection with such discussions and negotiations with respect to the lend-lease programs undertaken by the Foreign Economic Administration that the following general principles should apply:

(a) No new contracts should be entered into for goods or services to be furnished on lend-lease terms.

(b) Supplies which are now in the process of manufacture, in storage, awaiting shipment, or not yet transferred to your government, and services within presently agreed programs, may be obtained by your country, to the extent that they are available, against payment on appropriate terms and conditions.

(c) All existing supplies which have been transferred to your government on lend-lease terms and which are in shipment or under the control of your government in inventory may be retained by your government against payment on appropriate terms and conditions.

(d) Cash reimbursement lend-lease will be available for sixty days after V-J Day during which time requisitions within presently agreed programs may be filed with the Foreign Economic Administration.

It will be necessary in the course of our discussions to have an inventory of lend-lease supplies furnished by the Foreign Economic Administration still under the control of your government. It is requested, therefore, that you furnish, as soon as possible, an inventory listing, as of V-J Day, all articles that have been transferred to your government by the Foreign Economic Administration on lend-lease terms and that have not been lost, destroyed or consumed. I will be glad to discuss with you the principles upon which such inventory should be prepared.

Sincerely yours,

LEO T. CROWLEY

103.9169[ /8-2045 ] : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 20, 1945—10 p. m.

1287. The President has directed that the following action be taken in regard to future Lend-Lease operations: (From FEA Crowley for Stanton)

*a.* No new contracts will be entered into for goods to be furnished under Lend-Lease except for such items as the Joint Chiefs of Staff may approve for payment out of military appropriations.

*b.* Countries with which 3(*c*) agreements are in effect will take and pay for goods involved in contracts yet to be completed, goods awaiting shipment, those in transit, and inventories abroad.

*c.* Countries which have not entered into 3(*c*) agreements may obtain goods now in process of manufacture, in storage, awaiting shipment, being shipped, or in inventory abroad, upon their agreement to pay for them on such terms as may be determined by this Government.

*d.* All uncompleted contracts for goods not to be delivered under (*b*) and (*c*) above shall be immediately reviewed to determine whether their completion would be in the best interest of the U.S. Government and, unless so determined, such contracts will be cancelled.

Each of the foreign governments concerned will be informed of the action taken and no release of the information outlined herein should be made, of course, until official notification has been received by such governments.

This action does not pertain to cash reimbursement transactions. Requisitions on a cash reimbursement basis may be processed to procurement agencies for 60 days following V-J Day.

A letter addressed to Dr. Wei Tao-ming, Chairman of the Chinese Supply Commission in Washington has been sent which reads as follows:

In view of the termination of hostilities, the Foreign Economic Administration is desirous of entering into discussions and negotiations immediately with you relating to the discontinuance of its Lend-

Lease aid to your government in an expeditious manner which will best promote the mutual interests of our respective Governments and which will be consistent with the provisions of the Lend-Lease Act. I suggest in connection with such discussions and negotiations with respect to the Lend-Lease programs undertaken by the Foreign Economic Administration that the following general principles should apply:

(a) No new contracts should be entered into for goods or services to be furnished on Lend-Lease terms.

(b) Supplies which are now in the process of manufacture, in storage, awaiting shipment, or not yet transferred to your government, and services within presently agreed programs may be obtained by your country, to the extent that they are available, against payment on appropriate terms and conditions.

(c) All existing supplies which have been transferred to your government on Lend-Lease terms and which are in shipment or under the control of your government in inventory may be retained by your Government against payment on appropriate terms and conditions.

(d) Cash reimbursement Lend-Lease will be available for 60 days after V-J Day during which time requisitions within presently agreed programs may be filed with the Foreign Economic Administration.

It will be necessary in the course of our discussions to have an inventory of Lend-Lease supplies furnished by the Foreign Economic Administration still under the control of your government. It is requested, therefore that you furnish, as soon as possible, an inventory listing, as of V-J Day, all articles that have been transferred to your government by the Foreign Economic Administration on Lend-Lease terms and that have not been lost, destroyed or consumed. I will be glad to discuss with you the principles upon which such inventory should be prepared.

Negotiations referred to in the above letter will be carried on in Washington and you will be advised of developments. Meantime, this will enable you to answer in a general way any questions, but you should refer specific questions and those involving negotiations promptly to Washington. [Crowley.]

BYRNES

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893.51/8-1845 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 21, 1945—8 p. m.

1297. Please communicate to President Chiang Kai-shek the following message from President Truman (ReEmbs tel. 1386, August 18, 3 p. m.):

"I am very happy to welcome Dr. Soong on his visit here for the purposes indicated in your letter. Dr. Soong and I have already had a discussion of matters of mutual interest and he is now conferring with other officials of the Government regarding specific problems.

Subsequently should he desire further discussion with me I shall of course be pleased to see him and explore further with him practical measures for post-war collaboration between China and the United States and among all nations interested in the Far East.

“Your kind expression of personal good wishes is warmly reciprocated. Harry S. Truman.”

BYRNES

893.24/8-2245

*Memorandum by the Administrator of the Foreign Economic Administration (Crowley) to the President of the Chinese Executive Yuan (Soong)*

[WASHINGTON,] August 22, 1945.

This is to confirm our conference this morning regarding the discontinuance of Lend-Lease to your country. We will agree to the following:

1) You will take all inventories that have been marked and set aside for China, including stockpiles in India-Burma marked for that purpose, also such supplies and materials as may be in the process of delivery or in inventory in this country for delivery.

2) You will immediately review the items in process of procurement and manufacture and determine which of these items you wish us to complete.

3) For the items included under 1) and 2) above we will agree to accept your obligation at a rate of interest of  $2\frac{3}{8}\%$ , running over a period of thirty years, to be amortized in equal annual payments over the life of the obligation. You will pay us the cost of the articles plus transportation and packing.

893.24/8-2445

*The President of the Chinese Executive Yuan (Soong) to the Administrator of the Foreign Economic Administration (Crowley)*<sup>23</sup>

[WASHINGTON,] August 24, 1945.

DEAR MR. CROWLEY: Replying to your memorandum of August 22, 1945 covering our conference regarding Lend-Lease for China, the Chinese Government will agree to the following:

(1) With respect to Paragraph 1, all goods shipped to China are receipted for by the Chinese Supply Commission in the United States

<sup>23</sup> The substance of this letter was sent to the Ambassador in China in Department's telegram No. 1354, August 29, 6 p. m. (103.9169[8-2945]).

when the Chinese Supply Commission signs the ocean bill of lading. These goods are thereupon charged to China under Lend-Lease. Russia and the United Kingdom received goods in the same way. We believe that with respect to the goods that have been shipped from the United States, including the stockpiles in India-Burma, these goods should remain a charge to us under Lend-Lease, so that China is not placed under a less advantageous position than these other countries.

However, in the event your administration feels that it could not give China the benefit that we believe these countries have received in such matters, we will agree to take such materials as we can use from the inventories referred to in your paragraph 1 at fair current values to be mutually agreed upon.

(2) We will review the items in process of procurement and manufacture and determine which of these items we wish to have completed, as referred to in your paragraph 2. We do, however, hope that paragraph 2 will be enlarged to cover services being rendered such as the training program for 1200 technicians that is already under operation, and the Chrysler automotive service contract.

(3) Subject to the qualifications above, we agree to the terms of your paragraph 3.

(4) In connection with aid to China, we wish to bring to your attention at this time China's pressing needs for reconstruction. Our original five year programme called for more than four billion dollars, but in order to shorten the period of application to three years, we have arrived at a minimum programme of about two billion dollars. This programme will include also the essential needs of Manchuria and Formosa, which reverts to China at the end of the war.

The main items for this reconstruction programme are set forth in the accompanying summary.<sup>24</sup> Thanking you for your kind attention,  
Sincerely yours, TSE VUN SOONG

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103.9169[8-2745] : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 27, 1945—3 p. m.

1335. Our 1287, August 20, has partly answered your 1380, August 18.<sup>25</sup> (From FEA Crowley, Paul,<sup>26</sup> Harding.) First meeting with Dr. Soong held August 22, during which proposals contained in letter

<sup>24</sup> Not attached to file copy.

<sup>25</sup> Not printed.

<sup>26</sup> Arthur Paul, Executive Director of Bureau of Areas, FEA.



quoted in same cable were discussed and entire supply pipeline was specifically offered on 3-C terms. We expect to hear further from Dr. Soong within few days and will keep you informed.

We strongly concur regarding urgency arranging gradual rather than abrupt termination Hump operation and IBT storage and handling facilities following V-J Day. As requested, this will be taken up on highest level immediately an understanding is reached with Dr. Soong with respect to our offer. This expected within few days. We will keep you advised promptly of all further developments in these matters and of post-V-J Day policy immediately it is determined. As previously advised, until V-J Day is formally announced, lend-lease supply operations to China should continue as heretofore.

BYRNES

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893.51/8-945 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 27, 1945—4 p. m.

1336. For the Embassy's information in connection with Emtel 1313, August 9, 1 p. m., under the 1945 Act <sup>27</sup> lending operations of the Export-Import Bank are "for the purpose of aiding in the financing and facilitating of exports and imports and the exchange of commodities between the United States or any of its territories or insular possessions and any foreign country or the agencies or nationals thereof". The Department understands Eximbank does not make lump sum loans for use as borrower sees fit, although it might grant a line of credit to be availed of from time to time for specific projects approved individually by the Bank. Even with recent increase, funds available to Eximbank are entirely inadequate to meet world financial requirements for reconstruction and development. Therefore the amount that may presently be available for China will in any event probably be less than her needs.

For your information the Department understands that the Eximbank ordinarily requires foreign applicants other than governments to obtain the support of their government before negotiating a credit and that it also usually requires a guarantee of a foreign bank or government as a condition of non-recourse credits extended to United States exporters. This requirement of course facilitates foreign government control even where the foreign government does not exercise domination over private enterprise by virtue of its own laws.

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<sup>27</sup> Approved July 31, 1945; 59 Stat. 526.

The Department appreciates such information as your telegram contains and will endeavor to keep you advised of developments if this general question should be discussed with T. V. Soong here.

BYRNES

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893.51/8-3045

*Memorandum by Mr. John D. Sumner of the Office of Financial and Development Policy to Mr. Willard L. Thorp, Deputy to the Assistant Secretary of State (Clayton)*

[WASHINGTON,] August 30, 1945.

Aside from statements which have appeared in the press, the economic offices of the Department appear to have little information as to what may have been proposed by Dr. Soong to Mr. Crowley or to the Secretary of State, regarding the financial needs of China, or to what the reaction of Mr. Crowley or the Secretary may have been.

I have checked two contacts in FEA who told me that they doubt whether anybody in FEA knows except Mr. Crowley. On a purely gossip basis, one of my informants said that he had heard that Mr. Crowley had indicated to Dr. Soong that it might be possible to make 500 million dollars available to China through the Export-Import Bank.

I then talked with the head of China work in the economic wing of Treasury and was told that they have no information. The belief was also expressed that Dr. Soong did not discuss this matter with Secretary Vinson.

Financial assistance to China involves a number of highly important questions which would seem to require careful consideration within the economic offices of the Department, as well as elsewhere in the Government. I very much hope, therefore, that it may be possible to discover what transpired between Dr. Soong and Mr. Crowley and perhaps also with the Secretary.

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893.515/9-445 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 4, 1945—5 p. m.

1390. For Adler and Casaday<sup>28</sup> from the Secretary of the Treasury.

1. Please approach the Chinese Government immediately and obtain their firm assurances that the present arrangements for making yuan available to our military forces will be extended to the newly liberated areas of China, if, when and as required by our military forces.

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<sup>28</sup> Lauren W. Casaday, Assistant Treasury Representative in China.

2. The Treasury would appreciate receiving immediately any information you may have regarding Chinese financial plans for Formosa but you should not discuss this with Chinese authorities at this time. [Morgenthau.]

BYRNES

893.515/9-645

*Memorandum of Conversation, by Mr. John D. Sumner of the Office of Financial and Development Policy*

[WASHINGTON,] September 6, 1945.

Participants: Mr. Clayton  
Mr. Sumner  
Mr. Pei Tsu-yee

Mr. Pei stated that he had talked with Mr. Harry White of Treasury concerning China's tentative plans for rehabilitation of her currency. The purpose of his visit to Mr. Clayton was to outline those plans in order to solicit the advice of the Department of State. He left with Mr. Clayton a copy of a memorandum "China's Financial Problems and Policy", with an appended "Outline of a Plan for Reconstruction of Chinese Currency and Finance"; copies of these are attached. (According to Mr. Lockhart,<sup>29</sup> the main memorandum at least was prepared by Arthur Young, Financial Advisor to the Chinese Government, approved by Dr. T. V. Soong, and left with Mr. Pei for presentation and discussion in Washington.)

*Problems of Puppet Currencies:* Mr. Pei called attention to the difficult problem of replacing puppet currencies with Central Government currency. He stated that it was intended to exchange Chinese currency for puppet currency to the degree necessary to prevent Chinese in former Japanese occupied territory from being destitute. Large balances of puppet currency, however, would be frozen, subject to the completion of two steps. First, it would be necessary to determine which Chinese were collaborationists; second, it would be necessary to see what could be obtained by way of Japanese reparations in order to cover the cost of redeeming puppet currencies or balances held by those Chinese who were not collaborationists.

*A New Chinese Currency:* It is intended ultimately to issue a new Chinese currency, to be exchanged for existing currency at a pre-determined rate. It is tentatively believed that the new currency, in relation to the American dollar, should have a value of approximately 1 to 4. (The value of the Chinese dollar before the war was approximately U. S. \$30.)

<sup>29</sup> Oliver C. Lockhart, Assistant Chief of the Division of Foreign Economic Development.

Before issuing a new currency, however, China hopes approximately to stabilize domestic prices in terms of the old currency. As a corollary, it is believed that the new currency should not be issued until ports are opened and foreign trade has been resumed in something like normal volume. If these conditions could be established, it would permit a more careful determination of a desirable rate of exchange between the proposed new currency and existing currency, as well as providing a more accurate basis for determining the rate of exchange between Chinese and foreign currencies. Pei also mentioned that before deciding upon a fixed rate of exchange, it might be necessary to do a certain amount of experimentation. He expressed the hope that following a short period of experimentation a relationship might be established with the American dollar which would be stable over a long period of years.

*Continued Control of Foreign Funds:* Mr. Pei believes that while China wishes ultimately to abandon all exchange controls, it may be necessary for a short time to continue to control Chinese overseas balances in order to prevent either a flight of funds, or a waste of those funds (presumably through unnecessary expenditures). He is concerned, therefore, lest the Treasury be unable or unwilling to continue the freeze of Chinese balances in this country. He talked somewhat vaguely about the possibility of reinstating some joint Sino-American-British control commission which might perform functions similar to that of the commission of 1940-41.<sup>30</sup> When I asked whether it was his thought that such a group would control rates of exchange as well as the use of Chinese funds overseas, he replied that his Government was considering the problem of the exchange rate but is not yet in a position to make definite proposals.

*Reference to Bretton Woods:* Mr. Pei stated that it was China's desire to become a full-fledged member of the Bretton Woods institutions. However, it is not now clear just when these institutions will become going concerns; it is also not clear how long it may be before China is able to stabilize prices quoted in terms of her existing currency. Mr. Pei seemed to wish American advice as to whether the plans outlined above would fit into the Bretton Woods framework (or might endanger Chinese ability immediately to become a full-fledged member of Bretton Woods institutions.)

At the close of the meeting, Mr. Pei indicated that he would like to obtain Mr. Clayton's reactions to these tentative proposals, and

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<sup>30</sup> The reference is to the Stabilization Board of China established pursuant to the agreement of April 1, 1941, between the National Government of China, the Central Bank of China, and the Secretary of Treasury of the United States; see Treasury Department press release of April 25, 1941 and letter from the Secretary of State to the Chinese Ambassador, May 2, 1941, *Foreign Relations*, 1941, vol. v, pp. 633 and 640, respectively.

gave the latter a copy of the attached memorandum. Mr. Pei stated that he is leaving Washington this week-end. He will be in the United States for another week before going to England and would be glad to return to talk the matter over with Mr. Clayton any time next week. Mr. Clayton stated that he hoped it would be possible to arrange such a meeting. (Dr. Soong plans to leave this Sunday for London.)

No mention was made of American financial assistance in the form of loans or credits.

[Annex 1]

[WASHINGTON,] August 31, 1945.

#### MEMORANDUM ON CHINA'S FINANCIAL PROBLEMS AND POLICY

1. *Budget.* For the month of July, 1945, total actual expenditures of the National Government, excluding advances to the United States Army, were C\$74 billion, of which C\$54 billion was advanced by the Central Bank of China. About half of the remainder was realized from taxes and the rest from gold.

Prior to the end of the war, expenditures for August–December, 1945, were estimated at C\$868 billion, including advances of C\$100 billion for costs of the United States Army but excluding payments in kind of rice, wheat, etc. Receipts, other than in kind, were estimated as follows:

	C\$ billions
Taxes . . . . .	100
Sale of cotton cloth . . . . .	100
Sale of gold . . . . .	200
40% of previous gold purchase to be contributed . . . . .	200
Issue of £10 million of bonds . . . . .	100
Advances from the Central Bank . . . . .	168
Total . . . . .	868

Revised figures following the end of the war have not yet been completed. While military costs will decline there will be unavoidable heavy costs for demobilization and for relief and rehabilitation, which the Government will have to meet by use of local currency until the flow of adequate supplies of imported food, clothing and other necessities is established. Moreover, the taking over of liberated areas entails heavy additional expenditures for rehabilitation of Governmental offices and public services.

2. *Currency.* The total note issue as of July 31, 1945, was C\$462 billion. Lately the budgetary deficit and consequent increase of cir-

ulation has been larger than before, in view of heavier fighting and preparations by the Chinese forces and by the American forces in China for driving the Japanese from China. The increase in the six months ending July 31, 1945, was about 130% compared with about 60% in the corresponding period in 1944. On account of the continuing heavy expenditures resulting from liberation, and also because of the currency vacuum in liberated areas to be filled by national currency in place of greatly depreciated puppet and enemy currencies, a further exceptional increase in the volume of national currency must be anticipated during the remainder of 1945. Nevertheless, there are favorable factors that should help to steady the price situation while fundamental measures to restore fiscal equilibrium are being taken, namely:—(a) increased demand for currency in liberated areas and because of the increase of internal economic activity; (b) improved internal transport and production and trade, owing to the freeing of routes of communications and opening of access to sources of production and to markets; (c) improved confidence resulting from the end of the war and China's improved international position; and (d) it is hoped because of prompt progress with relief and rehabilitation.

The situation is greatly complicated by the Japanese-sponsored currency issued during the war—mainly puppet currency, although some military yen may be still in circulation. There were three different currency areas in occupied continental China: Manchuria, with the Manchurian yen nominally at par with the Japanese yen; the so-called Federal Reserve Bank currency in North China; and the so-called Central Reserve Bank currency in Central and Southern China. These areas were separated from each other and from Japan by exchange control. Also there is the Japanese yen currency in Formosa. Detailed measures to deal with the enemy and puppet currencies must await obtaining and analyzing data concerning actual conditions in these areas.

3. *Central Bank.* The Central Bank of China during the war has remained chiefly a fiscal agency of the Government, in which capacity it has rendered valuable services. It is fully realized, however, that the functions of the Central Bank in relation to the banking system and the money markets have to be developed. Reorganization and strengthening of the Central Bank have now become urgent in view of the need for monetary reform and to prepare for China's participation in the International Monetary Fund.

A few days before the outbreak of war in 1937 the Chinese Government had approved after long discussion a plan for converting the Central Bank into a Central Reserve Bank with the functions generally exercised by such banks. This law however was not promulgated

on account of outbreak of war. Existence of these plans will facilitate the reorganization of the Central Bank now that the war is over.

4. *Banking.* The reorganization of the banking system is specially urgent in view of the fact that the Japanese liquidated or interfered with the banks in the occupied areas and created various puppet financial institutions which must now be eliminated. The situation is further complicated by the strain on the banking system of Free China during the war. Clearly it will be wise to rehabilitate the banking system fundamentally, in order to encourage economic recovery and promote the expansion of production and trade within China.

5. *Trade.* Controls of trade were enforced beginning in 1938, and since 1941 exchange has been controlled. Private foreign trade has been practically non-existent since December 7, 1941, in view of the blockade. Imports into Free China have consisted almost entirely of official supplies, while exports have consisted of strategic materials for the United States, Great Britain and Russia.

With the ending of the war, measures will need to be adopted to provide for the promptest possible resumption of ordinary private trade. For a transitional period, however, while China's balance of payments is seriously out of equilibrium and the currency still suffering from the effects of the war, temporary measures to control imports are necessary. Export trade, however, can be freed without delay. Objectives in this transitional period should be on the one hand to obtain the needed imports while preventing a waste of foreign currency resources, and on the other hand to encourage exports and obtain the maximum exchange therefrom while the balance of payments is being restored to equilibrium.

An outline of a plan for reconstruction of China's currency and finance is attached.

[Annex 2]

[WASHINGTON,] August 31, 1945.

OUTLINE OF A PLAN FOR RECONSTRUCTION OF CHINA'S CURRENCY  
AND FINANCE

The first objective of the plan is to check inflation by vigorous action in the fields of expenditures, revenues, currency and banking and by rehabilitation of China's economy. The program also involves stabilization of prices at the earliest possible moment, and also stabilizing exchange at a level avoiding either over-valuation or under-valuation, in order to establish as soon as practicable a free exchange market, as contemplated in the Bretton Woods agreement. The program

further aims at the creation of a sound financial system to promote China's economic development.

*A. Public finance*

1. After meeting the heavy emergency outlay that is unavoidable in the immediate post-war period, military and civil expenditures to be readjusted at the earliest possible moment.

2. Revenues to be built up by rehabilitation, with appropriate reform where needed, of

- a.* Customs.
- b.* Salt tax.
- c.* Other internal commodity and excise taxes.
- d.* Direct taxes on incomes and profits.
- e.* Land tax.

3. Borrowing from the Central Bank to be reduced as soon as conditions permit. Meanwhile internal funds to be raised by use of foreign resources, especially by sale of imported goods, including realization of the proceeds of commercial imports for which the Government may provide foreign exchange through the banks; and, to the extent feasible, by Japanese reparations.

4. The railways, telegraphs, posts and other governmental enterprises to be organized, as before the war, on a self-supporting basis as soon as conditions permit, financial help from the Government being limited in principle to such costs of rehabilitation as these enterprises cannot themselves defray.

5. The debt structure to be reorganized, the measures to include :

- a.* Lightening the near-term burden of scheduled debt payments so far as practicable.
- b.* Gradual resumption of service of the pre-war external debt as soon as conditions permit.
- c.* Unification of railway debt.
- d.* Debts to Axis Governments to be cancelled; these Governments to be required to assume Chinese Government debts to Axis nationals.

*B. Currency and banking*

6. Prices and exchange to be substantially stabilized first in terms of the existing currency, but a new currency to be issued as soon as sufficient progress has been made with fiscal measures and restoration of confidence to permit a successful currency reform.

7. The value of the new currency unit to be a little lower than the pre-war unit in terms of U. S. dollars, e. g., at US\$0.25 instead of at about US\$0.30 before the war. In determining the value of the new unit, the value of the Japanese and other competitive currencies to be taken into account.

8. New coins to be issued of the following denominations : 50, 20, 10, 5, 1 and ½ cent.



9. The existing currency to be converted into the new at a fair rate, taking account of pre-war and current price levels in China and abroad and also foreign exchange values. The rate of conversion to be determined after the old currency and its exchange value are substantially stabilized.

10. Enemy and puppet currencies of specified denominations to be permitted temporarily to circulate since they are the *de facto* money in large areas. Eventual disposal of these currencies to be determined after investigation of actual conditions. If they are given a fixed value in relation to Chinese currency, safeguards are to be adopted against benefits to enemies and collaborationists. Japan to be held accountable for these currencies.

11. Enemy and puppet financial institutions in liberated areas to be liquidated.

12. Return as soon as practicable to a free exchange market, with market operations to prevent undue fluctuation of rates. This involves:

- a. Abolition of exchange control.
- b. Modification of freezing of assets abroad (see next paragraph).
- c. Abolition of the import controls that will be necessary for the transitional period.
- d. Freeing of export trade and ending of monopolistic trading.

13. Exchange and trade control to continue temporarily for a transitional period, until the restoration of more normal financial and economic conditions. This temporary trade control to involve:

- a. A prohibited list.
- b. A licensing list.
- c. A list of essential goods that may be freely imported.

14. Freezing of Chinese assets abroad to be temporarily continued, and to be modified or abandoned only after consultation with China.

15. The Central Bank of China to be reorganized and strengthened on the general lines planned in 1937, in order to help to carry out the currency reform.

16. The banking system to be reformed, with the following measures:

- a. Support and strengthening of sound institutions.
- b. Liquidation of unsound institutions.
- c. Development of an adequate system of credit institutions comprising commercial banks, savings banks, agricultural credit institutions, and intermediate and long-term credit institutions.
- d. Revision of the general banking law, including provisions to facilitate the functioning of foreign banks, and laws regarding negotiable instruments.

893.51/9-845: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 8, 1945—8 a. m.

[Received 11:15 a. m.]

1543. To Secretary of Treasury from Adler and Casaday.

a. Your 1<sup>31</sup> will be taken up earliest opportunity with Minister of Finance who is ill at present.

b. Your 2. Chinese financial plans for Formosa are still in tentative stage and the final form they take will depend partly on a struggle for bureaucratic control going on between Chen Yi, former Governor of Fukien, appointed administrator for Formosa to be directly responsible to Generalissimo, on the one hand, and Ministry of Finance [and?] of Central Bank, on the other (Ministry of Finance has not yet appointed its representative for Formosa though Central Bank has).

We learn from reliable sources that Ministry of Finance's plans in present stage are as follows:

1. The Central Bank is to open five offices in Formosa as soon as possible with a personnel of 100, of whom 60 will be despatched from Chungking and the remainder will be from Fukien and Formosan Chinese. It is intended that ports at which U. S. Navy may be stationed will be among first to have Central Bank branches. The Formosan branches of the Central Bank will take over the central banking functions of the Bank of Taiwan as quickly as conditions permit.

2. Amount of currency in circulation in Formosa is estimated at between one and one and one-half billion "yen" issued by Bank of Taiwan, of which 400-500 million "yen" are in 1 and 5 "yen" and the remainder in 10 and 50 "yen" denominations. The Central Bank is already printing *fapi* notes stamped "Taiwan" which it intends to introduce in a month or two. Bank of Taiwan 1 and 5 "yen" notes will be redeemed against Taiwan *fapi* at 1 to 1 but 10 and 50 "yen" notes will be redeemed at a discount not yet determined. As prices in Formosa are very much lower than on mainland, it is intended that Taiwan *fapi* will be worth much more than mainland *fapi*, the rate to be fixed after Central Government financial and banking representatives agree on Formosa. Present plans are that a deflationary policy will be pursued in Formosa with the discount at which bank of Taiwan 10 and 50 "yen" notes will be redeemed to be one of the main instruments.

<sup>31</sup> See telegram No. 1390, September 4, 5 p. m., p. 1136.

3. Complete exchange control will be exercised by Central Bank over transactions between Formosa and the mainland and between Formosa and foreign countries.

4. A struggle is going on among Chen Yi, Bank of China, Bank of Communications, and Farmers Bank as to who is to take over commercial and remaining business of the 17 branches of the Bank of Taiwan. Chen Yi wishes to make Bank of Taiwan into the Provincial Bank of Formosa on the lines of the provincial banks of existing Chinese provinces. Bank of China wishes to take over all commercial functions of Bank of Taiwan and in its fortnightly bulletin of September 1 claims that it has been designated to do so. This claim is apparently premature. Existing banks belonging to Formosans and overseas Chinese will probably not undergo any change with respect to ownership but Japanese participation in banks owned in whole or in part by Japanese will presumably be taken over by Bank of China, Bank of Communications, Farmers Bank, Central Trust, and Postal Savings Bank. [Adler and Casaday.]

HURLEY

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893.515/9-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 13, 1945—10 a. m.

[Received 4:35 p. m.]

1576. To Secretary of the Treasury from Adler and Casaday. On September 11 saw Minister of Finance who is still convalescing.

1. Your 1 of 1390 of September 4. Minister of Finance assured us that present arrangements for making yuan available to our military forces will be extended to the newly liberated areas. He intimated that with the acute shortage of *fapi* it would be desirable if the Army could keep its requirements down to an average of approximately 25 billion *fapi* a month. In view of this shortage he would appreciate Washington doing whatever possible to expedite shipments of Chinese banknotes from the United States to Shanghai by boat. He informed us that note circulation had increased by approximately CN dollars 90 billion in August and that the increase in September was expected to be considerably more.

2. Your 1391 of September 4.<sup>32</sup> Minister of Finance said he had no objection to our making the payments concerned with U. S. dollar checks in view of smallness of amounts involved.

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<sup>32</sup> Not printed; it inquired regarding payments to beneficiaries in China of the Veterans Administration and the War Shipping Administration (102.1/9-445).

3. With increase and resumption of American business activity, question of making temporary arrangements to enable American businessmen and firms to finance their current activities on a reasonable basis has become urgent. Minister of Finance agreed to extend same privilege to them as extended to United Clearing Board. Later, however, he telephoned to say that this agreement was in principle only and that he would prefer to await Dr. Soong's return before giving it final approval.

It should be noted that American businessmen as a group suffer most from discrimination under existing exchange arrangements. Overseas Chinese remittances get 500 CN for one U. S. dollar, United Clearing Board has a special arrangement with which you are familiar, and British businessmen obtain their CN dollars by the sale of sterling and rupees through the so-called "*chaynem*". There is absolutely no basis in equity for American businessmen to suffer under the enormous burden of the 40 to 1 rate. We should appreciate being kept informed of any current modifications of the freezing regulations with respect to China and their impact on American businessmen here.

4. Present status of banking law with respect to foreign banks in China is obscure. Minister of Finance however agreed to permit American banks to reopen old branches on a "liquidation" basis without prejudice as to subsequent registration and other legal requirements; this is entirely agreeable to the representative of National City Bank now in Chungking. Minister said that it is the Ministry of Finance's intention to appoint a Chinese representative to each foreign bank so that a joint investigation of what had happened in period of Japanese operation and control could be made. [Adler and Casaday.]

HURLEY

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893.24/9-1445

*The Chinese Ambassador (Wei) to the Secretary of State*<sup>33</sup>

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to inform him that as of September 10, 1945, the Chinese Supply Commission, in view of the termination of the lend-lease system, has been reorganized and the Chinese Government has appointed Dr. S. C. Wang as Chairman of the Commission.

This agency will henceforth have the direction of all procurement in this country both for its current needs and for carrying out its economic reconstruction program. It will accordingly handle all

<sup>33</sup> Receipt of this note was acknowledged by the Secretary of State on October 16.

matters connected with purchasing and the negotiations therefor with U. S. Government agencies and private concerns for and on behalf of the Government. It may also be charged by the Government with related matters, such as the training of technicians in this country, etc.

The Ambassador will be obliged if the Secretary will be so good as to circularize the interested agencies of the United States Government<sup>34</sup> that in future all business in connection with purchases for the Chinese Government should be addressed to the Chinese Supply Commission.

WASHINGTON, September 14, 1945.

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893.515/9-1645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 16, 1945—8 a. m.

[Received 11:40 a. m.]

1598. To Secretary of the Treasury from Adler and Casaday.

1. Government spokesman announced at foreign press conference September 12 that puppet currency in denominations below CRB (Chinese Reserve Bank) \$1000 would be redeemed by Central Government at rates varying from locality to locality and without any restrictions as to amount redeemable by each individual. Saw Minister Finance on September 14 and he informed us above announcement was inaccurate except that it was true that redemption would vary from locality to locality. He was awaiting full details as to total amount of CRB (Chinese Reserve Bank) dollar issue, issue by denominations, et cetera, before adopting final plans. He indicated that CRB (Chinese Reserve Bank) \$500 notes might not be redeemed if amount issued was too large. He had instructed all Central Government agencies in Shanghai to make payments in *fapi*.

According to his information, CRB (Chinese Reserve Bank) dollar note issue was 1900 billion in mid-August and about 3500 billion a week ago. Daily note issue was 40 billion of which about half went to Japanese. He had instructed Central Bank representative to take over and destroy CRB printing press plates as soon as possible.

2. There follows a cable on financial and economic situation in Shanghai.<sup>35</sup> It is substance of report transmitted by cable to Adler by OWI (Office War Information) representative in Shanghai. This

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<sup>34</sup> Copies of the Chinese Ambassador's note were transmitted to the Departments of Commerce, Army, Navy, Interior, and Treasury and to the Foreign Economic Administration, the Army-Navy Liquidation Commission, and the Export-Import Bank on October 10.

<sup>35</sup> See telegram No. 1604, September 17, 8 a. m., p. 1149.

report was written by John Ahlers,<sup>36</sup> a reputable non-Nazi German financial journalist, at OWI (Office War Information) representative's request. [Adler and Casaday.]

HURLEY

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893.51/9-1645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 16, 1945—9 a. m.

[Received 1:10 p. m.]

1599. To Secretary of Treasury from Adler.

1. Main feature of financial situation continues to be extreme tightness of money market. Many Chungking native banks and business [firms] in shaky position and industrial production is declining with increasing unemployment; same picture also true for Kunming. Local financial, industrial and commercial circles petitioning Government for financial aid; Ministry of Finance has promised CN dollars 5 billion for this purpose. Intense and widespread criticism of Government gold policy still continues. Minister of Finance admitted to me confidentially that 40% gold levy was a mistake and he had decided to support gold market at around \$50,000 per ounce.

2. Price situation spotty and uneven. Rice and daily necessities still have an upward trend, but cotton textiles, wool, wood oil, etc., continue to decline. Available general price indices show a slight decline for August on July.

3. Course of United States currency is still downward. United States dollar dropped to CN \$1,200 at end of last week and weakened further this week to \$800. On September 14 it closed at \$750 and today it is being quoted at \$700; this most recent drop is partly due to Chinese newspaper misinterpretation of Treasury press service No. V-13 which Chinese press on September 14 picked up and garbled from OWI (Office of War Information) release from its San Francisco news service. Chinese market reacted unfavorably under impression that new restriction was being placed on United States currency of large denominations. I understand that OWI (Office of War Information) will publish correct story over weekend.

Gold which has been quoted as low as \$40,000 per ounce during week was quoted on September 14 at \$55,000. United Clearing Board which has sold virtually none of its August allotment of United States \$1,200,000 is now selling at CN\$600 per United States dollar.

4. Kung has resigned chairmanship of Farmer's Bank and has been succeeded by Chen Kuo-fu, elder of Chen brothers. [Adler.]

HURLEY

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<sup>36</sup> A copy of Mr. Ahlers' report was transmitted to the Department by the Ambassador in China in his despatch No. 728, September 18 (893.51/9-1845).

893.515/9-1745 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 17, 1945—8 a. m.

[Received 6:30 p. m.]

1604. To Secretary of Treasury from Adler and Casaday.

*Section 1.*

Reference 2 of No. 1598 of September 15 [16]. Shanghai financial and economic situation.

1. Chinese Reserve Bank dollar is still used as measure of value and chief medium of circulation except for real estate which is quoted in gold bars. There was a currency panic and sales strike from August 11 to 13 but it was short-lived. Prices then fell and there was a heavy selling rush. *Fapi* are being brought into Shanghai in rapidly increasing amounts and are willingly accepted in trade although prices are not directly quoted in them. Puppet printing presses continue to function, servicing defunct government's officials and soldiers and Japanese banks.

Shanghai business community takes following for granted:

(a) There will be no outright repudiation of Chinese Reserve Bank dollars.

(b) There will be no immediate withdrawal of Chinese Reserve Bank dollars from circulation.

(c) Formal conversion of Chinese Reserve Bank into *fapi* will occur at undetermined time and rate.

Leading business men and commercial bankers want a conversion rate of 50 Chinese Reserve Bank to one *fapi* and contend that all Central Reserve Banks convertible assets and possibly also part of hypothetical Japanese reparations should be used for retirement of its note issue. Smaller bankers and business men would not object to a higher value for Chinese National against Chinese Reserve Bank. The mass of the people have only enough currency for a few days support. The monetary situation, in fact, does not warrant any precipitate action or statement by Central Government on value of puppet currency. (This opinion coincides with view of Minister of Finance as reported in 1 of 1598 of September 15 [16].)

2. On September 8 prices (in Chinese Reserve Bank dollars) in Shanghai free market were as follows: Gold per ounce 4.7 million, U. S. currency 93,000, Swiss francs 19,000, old Hong Kong dollar currency 8,500, *fapi* 120 and custom gold unit 2,300. Market weakened around September 12 but *fapi* has strengthened. In last month peak prices reached August 11 to 13 were as follows: Gold bars 17½ million

per ounce, U. S. currency 300,000, Swiss francs 50,000 Hong Kong dollars 15,000, and *fapi* 1,000. Bottom prices reached around August 20 were: Gold 2 million per ounce, U. S. currency 40,000, Swiss francs 9,000, Hong Kong dollars 3,000, *fapi* 60.

Cross rate for gold in terms of U. S. dollars has declined from U. S. \$80 per ounce in July to U. S. \$45 on August 20 and on September 12 was about U. S. \$50. The cross rate for Swiss francs has risen from about 4 to almost 5 per U. S. dollar in currency. The trend of gold bar prices is regarded as a general price indicator by Shanghai business community. Foreign exchange market has been relatively thin.

3. Central Reserve Bank ceased taking orders from Yokohama Specie Bank in middle of August but continued credit transactions with and supply of notes to Japanese banks. It announced its note circulation at Chinese Reserve Bank dollars 1900 billion and its gold holdings at 270,000 ounces in mid-August and has since been buying gold at between Chinese Reserve Bank 4.6 million and 7 million per ounce. Neither its note circulation nor its gold holdings have been reliably audited. There has been a tremendous contraction of bank credit in last month and commercial banks hold reserves with Central Reserve Bank constituting 60% or more of their total deposits in Chinese Reserve Bank dollars; they are in a position to pass on to their depositors without risk of loss of own funds whatever treatment is meted out to puppet currency. Shanghai branches of Bank of China and Bank of Communications are mere agents of Central Reserve Bank. Japanese banks are engaged in general settlement of engagements under auspices of Yokohama Specie Bank; their deposits and turnover have far outdistanced those of Chinese banks.

### *Section 2.*

1. Most serious industrial shortage is that of coal. Shanghai Power Company has only enough coal for 60 days. Problem is one of obtaining shipping to import some 50,000 tons per month from North China. There is also shortage of oil, though not as acute. Shanghai supplies of raw materials are adequate for present low level of industrial consumption. No shortage of basic foodstuffs is feared if there is internal stability in Shanghai hinterland. Shanghai is well supplied in semi-luxuries though influx of American soldiers may drain existing stocks.

2. There has been little damage to industry through bombing, and output can increase rapidly. Shanghai cotton spindles have been reduced by Japanese requisitioning some idle spindles for scrap. Japanese also requisitioned motors and boilers from other industries. Stocks of some factories were looted by staff after announcement of



surrender negotiations. Technical conditions of plants has deteriorated owing to non-replacement, lack of repairs, etc. Technicians and skilled labor are dispersed.

3. In second week of September after a month of violent fluctuations, prices in terms of Chinese Reserve Bank dollars were firm and tending to rise. Essential foodstuffs and semi-luxury goods have also increased in terms of U. S. dollars. There have been numerous bankruptcies, but now holders of stocks no longer expect large new supplies at an early date.

4. In the long interim between initiations of Japanese surrender negotiations and first Allied assumption of control many sales [*sales?*] and transfers of Allied property under Japanese control as well as of Japanese property for preservation from recovery occurred. At news of war end, pre-war owners and managers of Allied property were not allowed to resume control and were even put under arrest. Japanese supervisors of American and British establishments sold large stocks of raw materials and merchandise in second half of August to parties in collusion with the buyers at bargain prices. Staffs of such enterprises also looted their stores with Japanese connivance. Japanese also made many sales of their own property at bargain prices to Chinese, White Russians, Portuguese, etc., with pre-dated sales documents.

5. Big Japanese business since spring of 1945 has been large buyer of gold bars which must be owned by local Japanese individuals; many Chinese war time collaborators are concealing their acquisitions through dummies.

6. Since Stalingrad Shanghai-German firms have been selling real estate to Chinese many of whom are nominal transferees. Since summer of 1944 German firms here have generally liquidated their stocks. Proceeds from such sales were largely invested in gold bars hidden with Chinese and neutral associates or in European neutral currency deposits under fictitious names. In May, 1945, Japanese bought remaining commodity stocks of Bayer and Siemens-China companies at prices far below market value. The proceeds together with official funds of local German authorities were distributed among German citizens on official and semi-official pay lists. Thus many Nazis received even September salaries. Nazi Party propaganda, Gestapo and SS<sup>37</sup> officials are suspected of still having substantial funds for undercover work. [Adler and Casaday.]

HURLEY

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<sup>37</sup> *Schutzstaffel.*

893.51/9-1745

*Memorandum by the Assistant Chief of the Division of Foreign Economic Development (Lockhart) to the Assistant Secretary of State (Clayton)*

[WASHINGTON,] September 17, 1945.

Following the request through your secretary that I be prepared to discuss with you the memorandum submitted by Mr. Pei Tsu-ye, I have familiarized myself with that memorandum and the accompanying outline of a plan, as well as with Mr. Sumner's memorandum of conversation.<sup>38</sup> I have also discussed these papers with Mr. McGuire of FN, and suggest that we should together discuss them with you. Meanwhile, I offer the following comments:

1. *Budget.* I concur with the Memorandum and Outline regarding correction of the budgetary situation as the first essential of financial rehabilitation in China. Since inflation is due at least as much to currency issues to meet deficits as to the usually rather overemphasized shortage of goods, all proposals for expenditures in China should be carefully scrutinized for their possible effect on issues and weighed against the urgency of the needs for which the expenditures are proposed. Likewise, proposals to expend China's holdings of foreign exchange resources should be considered in the light of the priority of needs for such resources, immediate and prospective.

In particular, I should suggest that, in connection with A.1. of the Outline, curtailment of military and civil expenditures to the greatest extent possible should begin at once, *while* rather than *after* meeting such emergency expenditures as demobilization (which in China will be by no means so costly as in the United States), relief and rehabilitation, and re-establishment of national, provincial, and local governmental agencies in the liberated areas. It will not be easy to realize this program, however; the Generalissimo has not, over the years, shown much interest in demobilization or in budgetary equilibrium.

The proposal in A.3. of the Outline to raise internal funds to meet the deficit (in both the ordinary and the relief budgets) apparently contemplates the use not only of existing foreign resources but also of future credits, in part by selling foreign currencies (and gold) and in part by sale in China of foreign goods purchased, or contributed by UNRRA, or delivered on reparation account. Such use of foreign resources should be only a temporary expedient and is presumably so intended. The proposed measures can have continuing value only if accompanied by reduction of expenditures and con-

<sup>38</sup> See memorandum of September 6, p. 1137.

traction of the volume of currency in circulation. Under those conditions they would also contribute greatly to price stabilization.

The proposed "realization of the proceeds of commercial imports for which the Government may provide foreign exchange through the banks" is not clear. The object of these transactions is to raise internal funds for Governmental purposes, thus avoiding or lessening further currency issues. That object would be achieved if commercial importers purchase the requisite foreign exchange from the banks; if they use their existing foreign balances, the proceeds of the sale of imports should go to them—otherwise there would be confiscation of the importers' foreign assets. Only if the banks should *lend* foreign exchange to the prospective importers would there appear to be any justification for the Government's appropriation of any part of the proceeds of the sale of the resulting imports.

A similar question arises in connection with Mr. Pei's remarks on the continued control of foreign funds, as contemplated by B.14. of the Outline. It may be noted also that in the documents submitted to UNRRA recently the Chinese Government assumed that it would obtain the use of half the existing private foreign exchange resources, estimated to amount to US \$300 millions in all. Responsibility for action on Mr. Pei's suggestion presumably lies primarily with the Treasury and FE, rather than with the economic offices. Mr. Pei asked advice, however; and I should advise against measures tantamount to complete or partial confiscation, including heavy taxation of such resources. If, after careful review of its requirements and resources of foreign exchange, China decides that it must avail itself of these funds, it should in my opinion exchange valid short-term Government obligations for them.

It may be that Mr. Pei desired only to control the use of these funds rather than to use them for Governmental purposes. If so, it would seem that the freezing of funds is unnecessary, since the proposals for trade control in Outline, B.13. should, if adopted, afford an adequate measure of control of the use of these funds.

It is assumed that the proposal in Outline, A.5.d. concerning Chinese debts to Axis nationals contemplates that these debts would be credited to Reparations Account. It may be noted in passing that while the Yokohama Specie Bank nominally underwrote the Japanese *tranche* of the Chinese Reorganization Loan of 1913,<sup>39</sup> this was chiefly a matter of face. It is not believed that Japanese nationals ever held an appreciable part of this loan and practically certain that they do not now hold such a part.

<sup>39</sup> See *Foreign Relations*, 1913, pp. 143 ff.

2. *Currency.* The rate at which a new Chinese currency will exchange for foreign currencies seems to me a matter of relative unimportance. What matters chiefly is the rate of exchange of the new currency for the old and the effect of consequent price adjustments upon the Chinese economy. In my opinion, determination of this rate need not depend on foreign exchange values. Once a reasonable stability of internal prices has been achieved and a considerable foreign trade on a commercial basis has been developed, the external value of the currency will be largely self-determining.

It seems probable that Mr. Pei did not really intend to suggest any harsher treatment of those holding enemy and puppet currencies than is indicated in the Memorandum and Outline he submitted. As reported, he would exchange Chinese currency for these issues "to the degree necessary to prevent" destitution of non-collaborationists. Such treatment would not accord with justice and might cause political repercussions within China. The goal should be the relative equalization of currency supplies throughout China, having in mind the volume of trade and other factors affecting the velocity of circulation, such as the availability and customary use of banking facilities, density of population, etc. As implied in the Memorandum and Outline, there is as yet no dependable information on the volume of currency issued in Occupied China as compared with that in Free China, nor on the relative extent of inflation or price increases in the two areas. Given political stability, absence of arbitrary hindrances to inter-regional trade, and adequate internal transportation, the supply of new currency in the several regions of China would tend to adjust itself automatically.

These documents contain an untenable suggestion to the effect that the rate at which new currency would be exchanged for enemy and puppet currencies is related to the amount of reparations obtained from Japan. These issues may indeed be taken into account in the claim for reparations and so in the apportionment of available reparations among claimant countries, but the amount of reparations received can afford no just basis for determining the amount of new currency to be allocated to Occupied China. It may be noted further that Mr. Pei does not indicate whether he is thinking in this connection of reparations in kind or of gold and foreign exchange assets to be transferred. These latter have been suggested by others, but are unlikely to prove either considerable in amount or available to China alone among claimant countries.

3. *Conclusion.* The essential features of the proposed program submitted by Dr. Soong through Mr. Pei seem to me to be sound. I think that Dr. Young's memorandum makes the correct approach to the problem and that financial stability is a prerequisite to sound

economic development. Successful solution of both these problems will depend on the firmness, resourcefulness and capacity shown in carrying out the programs laid down as well as on wisdom in planning them. American assistance, both financial and advisory, should increase the probability of success and would seem to be warranted by the economic and political objectives of the United States in the Far East. I venture to think, therefore, that this Government might well suggest to Dr. Soong the desirability of associating with Dr. Young in the development of China's economic program a group consisting of both foreign and Chinese economists, administrators, and industrial specialists.

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893.24/9-1845

*The Administrator of the Foreign Economic Administration  
(Crowley) to the President of the Chinese Executive Yuan  
(Soong)*

[Extracts]

[WASHINGTON,] September 18, 1945.

DEAR DR. SOONG: This is in reply to your letter to me of August 23 [24], 1945, replying to my memorandum of August 22, 1945 with regard to our conference on the subject of lend-lease to China, and also to your three letters to me dated September 10, 1945.<sup>42</sup>

I. *Reference Paragraph One of Your Letter of August 24, 1945.*

At the outset I should like to comment on the desire expressed by you in your letter of August 24, that China not be placed in a less advantageous position than the Governments of the United Kingdom and the Soviet Union. It is the policy and intent of this Administration that all Lend-Lease matters affecting China shall be settled on a fair and equitable basis so as to aid your country to consolidate our newly-won and mutual victory against the Axis aggressors. You may be sure that this basic policy will underlie all our negotiations.

With regard to all FEA lend-lease supplies marked for China as may be in inventory in this country, it is proposed that they be valued at 100% of their original cost and supplied under the terms stated in paragraph three of my memorandum of August 22.

You and I have had several conversations with regard to identifiable and unconsumed FEA lend-lease supplies in China, India, and enroute consigned to Indian ports, on V-J Day. I am holding discussions with the Commissioner of the Office of the Army-Navy Liquidation

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<sup>42</sup> Not printed; they dealt with various services performed for the Chinese Government by the Foreign Economic Administration under Lend-Lease [FEA, Lot 53—M29].

Commission relative to disposal of these supplies and will communicate with you regarding them at a later date.

II. *Reference Paragraph Two of Your Letter of August 24.*

(1) It is agreed that you will immediately review all FEA lend-lease items in process of procurement and manufacture and notify me which of these items you wish to select for completion under the terms of paragraph three of my memorandum of August 22.

(2) You raise the problem of services now being rendered under lend-lease for your Government. In general, the nature of these current services is such that I do not feel they lend themselves appropriately to long-term financing such as was proposed in paragraph three of my memorandum of August 22, 1945. . . .

III. *Reference Paragraph Four of Your Letter of August 24.*

You have stated in your letter of August 24, that your Government has prepared a two billion dollar program to cover reconstruction needs over the next three years. At the present time, I do not believe that this Government is in a position to consider the making of a loan to China of this amount out of existing appropriations and authorizations. I am prepared, however, to recommend to the Export-Import Bank that there be made available to China at the earliest possible opportunity a credit in the amount and for such purposes and on such terms, as may be mutually agreed upon between our two Governments.

Sincerely yours,

LEO T. CROWLEY

103.9169[/9-2145] : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 21, 1945—6 p. m.

1513. Negotiations further delayed by discussions with ANLC.<sup>43</sup> (From FEA Harding) Present status as follows:

1. Crowley has written Soong<sup>44</sup> confirming previous offer for sale to China all FEA lend-lease supplies in this country, per our 1415 Sept. 7,<sup>45</sup> but that inventories in China, India and afloat are still under discussion with ANLC.

2. Crowley has written McCabe that "It is my opinion that the interests of our Government would best be served by such an agree-

<sup>43</sup> Office of the Army-Navy Liquidation Commissioner, headed by Thomas B. McCabe.

<sup>44</sup> See letter of September 18, *supra*.

<sup>45</sup> Not printed.

ment (per our 1415 Sept. 7) with the Chinese. In view of my discussions with you, however, in which you have stated that these supplies should not be disposed of until a time when disposition can be made of Army-Navy surplus supplies as well, I am of the opinion that it would be more desirable to have these negotiations carried out by you as Army-Navy Liquidation Commissioner.

I therefore declare surplus and request you to arrange for the disposal of all FEA lend-lease supplies in inventory in China and in India (earmarked for China) and enroute on Chinese lend-lease account to Indian ports on V-J Day. I am prepared to make available to you all relevant data which this Administration possesses with regard to these supplies."

Note. This not necessarily final answer until McCabe acknowledges and accepts. We will advise further soonest possible.

Your 1587 [1578] Sept. 13,<sup>46</sup> we strongly concur regarding desirability suggested movement trucks but in view above can only authorize such movement with concurrence ANLC, which we are now asking. If shipped on U. S. A. vessels within 60 days from V-J Day, ocean freight charges can be covered by straight lend-lease.

It is obvious whatever final outcome of negotiations, full inventory all supplies under FEA control in both India and China will be required. Accordingly, in addition preliminary action suggested our 1415 Sept. 7, you are instructed to take immediate definite action with respect thereto.

Sent to Chungking as 1513, repeated to Kunming as 215, and Calcutta as 766.

ACHESON

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893.5151/9-2145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 21, 1945—8 p. m.

1520. For Adler and Casaday from the Secretary of the Treasury.

*Part I.* On September 14, Secretary of Treasury sent the following letter to Dr. Soong:

"American business men with interests in China, who are planning to leave for China in the very near future, have requested us to raise with the Chinese Government the question of the rate at which they will obtain Chinese local currency for U. S. dollars. They strongly maintain that it would be most unfair if they are compelled to operate on the basis of the present official exchange rate and feel that some arrangement with them should be made which would be more equita-

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<sup>46</sup>Not printed; it suggested the possibility of using Army shipping space to transship unassembled trucks from Calcutta to Shanghai (103.9169[9-1345]).

ble. I appreciate the difficulties involved in this matter but strongly urge that some arrangement be made at once which would meet the needs of these business men. I am sure that you agree with me that their early return to China for the purpose of the resumption of their business there is in the best interests both of China and the United States."

*Part II.* In reply to this letter Mr. Pei on September 18 called at the Treasury and suggested that for the time being the overseas Chinese rate of CN\$500 to US\$1 be given to American business firms with the proviso that all requests for funds over the equivalent of US\$1,000 per month would require special approval of the Ministry of Finance.

Treasury indicated that this proposal would be acceptable for the present. It was made clear to Mr. Pei that it was essential that some provision be made to meet the needs of American business firms returning to newly liberated coastal cities of China and that if some acceptable arrangement was not entered into immediately the Treasury would probably interpret its outstanding action guide permitting the sale of blocked dollars by U. S. business firms in China to reputable Chinese to apply to the newly liberated areas of China.

*Part III.* Mr. Pei is submitting his proposal for a CN\$500 to one rate to O. K. Yui. Please call on Yui and urge upon him the necessity for immediate action in this field. [Morgenthau.]

ACHESON

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893.51/9-2645: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 26, 1945—10 a. m.  
[Received 12:00 p. m.]

1662. The Embassy would appreciate being advised earliest possible outcome of Soong's negotiations in Washington particularly with respect to (1) Treasury and/or Export-Import loans or credits, (2) settlement for Army expenditures since January 1, and (3) the purchase of certain supplies ordered under Lend-Lease. This information is necessary for the proper consideration of many problems about which the Embassy is now being consulted.<sup>47</sup> Soong arrived Chungking September [omission] but has not intimated to American authorities the outcome of his negotiations.

Of immediate urgency is the disposal of Lend-Lease and United States military surpluses and the settlement of United States Army [expenditures?] be considered as one problem. Brigadier General

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<sup>47</sup> The Embassy reiterated its request for this information in telegram No. 1781, October 12, 9 a. m. (893.51/10-1245).



Hesketh<sup>48</sup> and Commander Boaz,<sup>49</sup> representatives of OANLC (Office Army-Navy Liquidation Commission) for China, India and Burma, are in Chungking for a few days for conferences with Embassy, G-5<sup>50</sup> and FEA with respect to the disposal of surpluses. They have asked for certain information which neither the Embassy, the Army nor FEA is able to supply. We should appreciate a prompt reply to the following queries:

(a) How much dollar exchange resources will China have available for purchase of surpluses (obviously this depends on various factors presumably dealt with by Soong in recent discussions, such as settlement for United States Army expenditures since January 1, and the amount and character of credit facilities granted)?

(b) Was the question of an early establishment of a fixed rate of exchange discussed with Soong?

(c) To what extent if at all and under what circumstances will sales of surpluses be allowed in return for Chinese national currency? The disadvantage of accepting Chinese currency is obvious but question was raised by General Hesketh.

(d) If sales of surpluses in return for Chinese currency are to be allowed, has it been agreed or is it contemplated that such sales will be allowed up to a limited quota prior to the conclusion of a general exchange agreement? Apparently this practice has been followed in the case of some European countries and OANLC (Office Army-Navy Liquidation Commission) representatives say that the answer with respect to China is important in that it may affect the speed with which surplus disposals of this theater can be initiated.

(e) Reur 1513, September 22 [21], 6 p. m. Has decision been reached with regard to manner of disposal of FEA surpluses? Please keep us currently informed as question is intimately related to overall problem.

ROBERTSON

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893.5151/9-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 28, 1945—8 a. m.

[Received September 29—11 a. m.]

1677. For Secretary of Treasury from Casaday.

1. With reference to proposed currency arrangements for American business firms in China, it is not clear from part 2 of your 1520, Sept. 21, 8 p. m., whether Pei's proposal has been definitely accepted by the Treasury even "for the time being." Does your instruction that I urge upon Pei the "necessity for immediate action in this field" mean that I shall urge immediate inauguration of the 500 to 1 rate with monthly limitation of \$1000 U. S., or shall we continue to press for

<sup>48</sup> William Hesketh, Deputy Central Field Commissioner, India-Burma Theater.

<sup>49</sup> Richard McFall Boaz.

<sup>50</sup> Civil Affairs Officer, China Theater (Olmsted).

a more favorable arrangement such as that used by the British channel and allowed the United Clearing Board? Your attention is called to the fact that arrangements permitting the sale of blocked dollars by United States business firms in China to reputable Chinese have never yet been approved by the Minister of Finance for free China although this is seemingly implied in the last sentence of part 2 your message.

2. Embassy officials and Adler after his arrival have repeatedly urged the Minister of Finance to extend to American business interests facilities fully as favorable as those enjoyed by United Clearing Board and by the British (reference Embassy telegrams 1179, July 18, 3 p. m. and 1576, Sept. 13, 10 a. m.). As latter reference shows, the Minister accepted Treasury's suggestion in principle but later reserved final decision pending Soong's return.

3. Arrangements for American businessmen under Pei's proposal would be definitely inferior to those enjoyed by British business firms which obtain a rate roughly similar to that of United Clearing Board. Even in the recent exchange market reaction when the open market rate for dollar currency fell as low as 600 to 1, these rates have not fallen below 500. When dollar currency was selling at 2500 to 3000 in July, their rate was 1600 to 1800. Such rates are currently around 600 with open market currency rate at approximately 900. If, as may be expected under existing conditions of basic hyper-inflation, the open market rate for dollar currency resumes the markedly upward trend shown during the last months of the war, the disadvantage to American business of the fixed rate of 500 to 1 will become prohibitive and unjustifiable.

4. For these reasons the Embassy feels that the Minister of Finance should not be urged to adopt the Pei proposal unless you have made definite commitments and specifically instruct me to do so. If Pei's proposal is agreed upon we may be sure of an indignant protest from American business interests here unless a similar restriction is placed upon the British.

Adler is still in Shanghai. He is expected to return in a few days at which time your 1520 will be brought to his attention. [Casaday.]

ROBERTSON

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893.24/9-2945

*The Chairman of the Chinese Supply Commission (Wang) to the Administrator of the Foreign Economic Administration (Crowley)*

WASHINGTON, September 29, 1945.

DEAR SIR: Referring to your letter of September 18, addressed to Dr. T. V. Soong and relating to the termination of Lend Lease, I beg

to inform you that the Chinese Government desires to accept, without further selection, all FEA Lend-Lease supplies for China now in process of procurement, manufacture and delivery in this country. This will include all such supplies marked for China as may be in inventory in U. S. A.

The terms under which the obligations for the above will be met have already been discussed and agreed upon between you and Dr. T. V. Soong as per paragraph (3) of your memorandum of August 22, and paragraph (3) of Dr. Soong's letter of August 24, 1945. It is also understood that the above will not prejudice any future adjustments in line with the basic policy enunciated in the first paragraph of your letter to Dr. Soong of September 18.

We shall appreciate it if you will notify the appropriate Divisions to take immediate action for the release for shipment at our request of all FEA supplies in inventory and for the continued delivery of all FEA supplies under contract. Upon receipt of your acknowledgment, we shall be glad to enter into arrangements with them concerning the details.

Very truly yours,

SHOU CHIN WANG

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103.9169[10-345] : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 3, 1945—5 p. m.

1596. Further developments regarding disposition stockpiles as follows: (From FEA Harding [and] Bennett <sup>51</sup>)

(1) Chinese Supply Commission has accepted on 3-C credit terms at full original cost all FEA-procured supplies in U. S. A. inventory and in process manufacture.

(2) ANLC has answered Crowley's letter, our 1513 September 21, as follows:

"I trust . . . <sup>52</sup> that you will repossess the articles and declare them surplus to the needs and responsibilities of your agency. I urge you to transmit to me as soon as possible all available information, including information as to the quantities, condition, cost, value and location, with respect to the property you now intend to declare surplus. Upon receipt of surplus declarations in proper form, my agency will, of course, discharge its responsibilities under the surplus property act,<sup>53</sup> regulations issued thereunder, and powers and authorities delegated by the War and Navy departments. Your agency will assume the responsibilities of an 'owning' agency with respect to the property."

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<sup>51</sup> Charles R. Bennett, Chief of China Division, FEA.

<sup>52</sup> Omission indicated in the original telegram.

<sup>53</sup> Approved October 3, 1944; 58 Stat. 765.

(3) Crowley is replying as follows:

"You have also requested in your letter of September 21 that I transmit to you all available information with regard to Lend-Lease supplies in China and in India. I suggest that you have someone on your staff get in touch with Mr. Charles R. Bennett, Chief, China Division of FEA. I have instructed Mr. Bennett to make available all information which we have here in Washington and also to arrange to get for you such information as can be obtained from our field representatives in India and in China."

It's believed inventory information already requested from you will cover above requirements but further specific advices will follow proposed conference with ANLC.

Questions raised by your 1587 [1578], September 13; 1660, September 26; 1679, September 28; <sup>54</sup> under discussion with ANLC. We will advise soonest. Harding [and] Bennett.

ACHESON

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893.5151/10-445: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 4, 1945—8 a. m.

[Received 10:45 p. m.]

1723. For Secretary [of the] Treasury from Adler.

1. Returned from Shanghai October 2.

2. Ministry of Finance issued statement Thursday 27th fixing Chinese Reserve Bank conversion rate at 200 to 1 CN dollar and providing for conversion between November 1 and March 31.<sup>55</sup> November 1 was fixed as opening day for conversion because Government believes it will have sufficient CN dollars on hand by then; a rush to convert as soon as possible after November 1 should be anticipated. The Manager of Central Bank issue September informed me that his printing press capacity in Shanghai was now CN dollars 70 billion monthly. It was generally believed in Shanghai that Dr. Soong was responsible for conversion rate with which Shanghai financial circles are on the whole satisfied. It is widely held that the conversion rate is generous as open market rate for Chinese Reserve Bank on 26th was 250 to 260 to 1 CN dollar and its trend was upward.

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<sup>54</sup> None printed.

<sup>55</sup> The Chinese (or Central) Reserve Bank notes circulating in Central and South China were the first puppet currency to be converted into Chinese national currency. According to Dr. Soong, the conversion of North China, Manchurian, and Formosan currencies was to be held in abeyance ". . . until such time as National Currency could be introduced in an orderly fashion and a fair rate established" (letter from Tsu-ye Pei to Assistant Secretary Clayton, October 2, filed under 893.515/10-245).

3. Official books of Central Reserve Bank show Chinese Reserve Bank note issue to be 4,233 billion. Some Central Bank officials believe that not all this was issued. However, as Japanese Army appears to have printed and issued Chinese Reserve Bank notes as needed, it is much more likely that the actual amount of Chinese Reserve Bank dollars in circulation is greater than the above official figure. According to one Shanghai banker, a conservative estimate of Chinese Reserve Bank in circulation is 8 trillion and others place it even higher. It is known that Japanese Army has within the last month burned some Chinese Reserve Bank notes in its possession. Ministry of Finance in its statement of September 27 indicated that "the kinds and total sum of issue of puppet notes already issued will be based on the report of the Shanghai-Nanking area, [by] Special Finance Commissioner of the Finance Ministry. Notes over the total sum reported and notes which do not coincide with any of the kinds reported to have been issued will not be exchanged." It is not surprising, therefore, that a black market for Chinese Reserve Bank on which its value is less than official conversion rate is beginning to emerge.

4. Chinese Reserve Bank books show the following assets: 507,000 ounces of gold, 7,639,000 ounces of silver, 371,000 Chinese silver dollars and 100,000,000 yen. With respect to gold, Central Reserve Bank had 270,000 ounces on August 10, according to its published statement of that date. While Central Reserve Bank bought gold on open market after August 10, the major part of this increase resulted from transfer of between 140,000 and 200,000 ounces of gold from the Yokohama Specie Bank to the Central Reserve Bank around August 20 against which the Yokohama Specie Bank received Chinese Reserve Bank currency.

5. Government banks resumed business in Shanghai on October 1. There were 500 banks in Shanghai at the time of the termination of hostilities. All these banks which began functioning under the Nanking regime are to be abolished. Commercial and native banks in existence before the Nanking regime are to be allowed to continue but are to liquidate all business done in Chinese Reserve Bank. The Government's objective is to reduce the number of banks in Shanghai to about 70.

6. U. S. dollar rate in Shanghai has been appreciating steadily during the last week, having been quoted at up to 900 before month end. It opened at 780 to 820 on October 1. Market while thin is expanding. Gold bar market still most active speculative market. In week before September 28 it rose from CN dollars 30,000 to 40,000 per ounce. With the announcement on September 28 in Chungking of an official price of

gold of CN dollars 85,000 to 89,000 per ounce, the price in Shanghai jumped to around CN dollars 55,000. Smuggling of gold from Shanghai to Chungking reported. Banks not yet remitting Chungking to Shanghai but open market rate for such remittances is from 20 to 40%.

7. Prices in Shanghai have risen by over 50% in last two weeks and trend is still markedly upward, price of rice has risen 40% in last 2 weeks and semi-luxuries by much more as result of influx of U. S. Armed Forces. Prices are still quoted in Chinese Reserve Bank dollars but CN dollar is spreading as unit of value. Prices on the whole are about 25% of Chungking level. Shanghai factory production extremely low. This is outstanding characteristic of Shanghai economic situation and is leading to some labor unrest.

8. Position with respect to American and foreign business still obscure and will tend to continue so pending clarification of Chinese legal status of foreign corporations and of Chinese exchange rate and exchange control policy. American and foreign banks are taking over their physical premises and records. [Adler.]

ROBERTSON

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893.5151/10-645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 6, 1945—9 a. m.

[Received October 6—6:20 a. m.]

1736. For Secretary of Treasury from Adler. Saw Minister of Finance October 3d, reference your 1520, September 21 and our 1677 of September 28. After discussion of Shanghai situation, I raised the question of providing a satisfactory exchange arrangement for American businessmen in China. The Minister said that Mr. Pei had proposed a 500 to 1 rate to you in Washington and also intimated that Dr. Soong did not favor an arrangement similar to that of United Clearing Board for American businessmen. I should like to point out as strongly as I can that an arrangement on the lines of Mr. Pei's proposal would be inequitable. British businessmen have been using so-called channel since last summer which yields them a CN dollar rate for sterling not less than that of United Clearing Board for United States dollars multiplied by 4. The open market rate for United States currency has been rising steadily since September 22 and was today quoted between 1350 and 1450; the United Clearing Board rate is now over 800 and is to be raised to 1000 in the near future. While there, of course, may be temporary downward fluctuations, general trend of United States currency in open market is

definitely upward not only in Chungking but also in Shanghai. In this situation the Chinese proposal for a rate of 500 to 1 for American businessmen would be detrimental and become increasingly burdensome to American commercial interests. There is no case in equity for our agreeing to anything less than an arrangement for American businessmen similar to United Clearing Board arrangement. [Adler.]

ROBERTSON

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893.5151/10-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 8, 1945—2 p. m.

[Received 6 p. m.]

1755. For Secretary [of the] Treasury from Adler and Casaday.

1. Rate for U. S. currency has increased steadily since September 22, reaching 1500 on Saturday. It weakened a little this afternoon to 1400. United Clearing Board disposed of U. S. dollars half a million of [their?] October allotment at 800 at the beginning of October and U. S. dollars 200,000 at 1000 last Saturday. Dropped into UCB office at 9 a. m. today and found about two dozen Chinese bankers and businessmen waiting to buy blocked U. S. dollars at 1200 to 1 and more kept coming in. Treasurer of UCB hoped to dispose of U. S. dollars half a million today at 1200 to 1.

2. There [are?] a number of pointers appearing to indicate that the Chinese are moving toward establishing rate of 500 to 1 with a semi-official or official status.

(a) They have established a remittance rate of 500 to 1 for overseas Chinese.

(b) They have offered Allied internees 500 to 1.

(c) They have given French military authorities in China 500 to 1 in one recent transaction.

(d) They are anxious to establish a 500 to 1 rate for American business men which it is reported they intend to use as a precedent to replace the present British "channel" arrangement with sterling rate of 2000 to 1.

If this interpretation is correct, a move on the part of the Chinese to establish 500 to 1 for all American governmental and private transactions is to be anticipated. There should be no need to repeat that a 500 to 1 rate is unrealistic and detrimental not only to American governmental and business interests but also to the prospects for rehabilitating Chinese exports. [Adler and Casaday.]

ROBERTSON

893.5151/9-2845 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 9, 1945—4 p. m.

1635. For Adler from the Secretary of the Treasury.

*Part I*

1. At conference held with Tsuyee Pei on October 2, 1945, the following was agreed upon: (Reurtel 1677, September 28).

*a.* The Chinese will institute a rate of CN\$500 to US\$1 with the understanding that this rate is subject to revision, as and if necessary. Treasury urged that a rate be established immediately which is more in line with open market rates and Pei is to make known these views to Dr. Soong and O. K. Yui.

*b.* No limitation is to be placed on the monthly amount which can be remitted from the U. S. to China at the new rate.

*c.* American firms in China are to continue to be able to sell blocked dollars.

*d.* American nationals are to be afforded the same financial privileges granted to other foreign nationals in China including the British.

2. We also informed Pei that effective October 5 Treasury amended General Ruling 5A<sup>56</sup> to provide that U. S. currency to any amount can be carried on person to China (as well as any other blocked country excluding enemy countries), provided the currency is carried in denominations of \$20 or less. In this connection it was pointed out that a sufficiently attractive exchange rate would help discourage the influx of U. S. currency into China.

*Part II*

The following telegram dated October 3, 1945, was sent by Tsuyee Pei to Dr. Soong and O. K. Yui. With reference to point 2 below, Treasury actually favored elimination of monthly limitation to facilitate resumption of American business in China.

“Referring to Minister Yui’s Chinese telegram of September 25th which reached me on September 30th, have informed U. S. Treasury accordingly. Following views were expressed by Treasury at a conference this morning:

1. In view of recent rise of U. S. currency rate in Chungking proposed rate of 500 although a great improvement to the original 40 to 1 is still much lower than the market rates.

2. For this reason it does not seem to serve any purpose for the Minister of Finance to set a monthly limit of U. S. \$1,000 for persons who wish to buy more Chinese \$ at proposed rate of 500.

3. It is therefore suggested that the proposed rate of 500 may be announced by the Chinese Government as a special or new official rate

<sup>56</sup> See 10 *Federal Register* 12600.



which will hereafter apply to all businesses and that this rate is to be reviewed as and if conditions change. However U. S. Treasury does not object to your announcing a rate more in line with the market rates if the proposed rate of 500 has not already been announced, and that you consider it feasible at the present moment.

U. S. Treasury is informally notifying the American businessmen of this understanding but it emphasized that the formal announcement has to be made by our Government in China." [Morgenthau.]

BYRNES

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103.9169[10-1045] : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 10, 1945.

1643. Executive order of September 27, 1945,<sup>57</sup> transferring to Department of State all lend-lease functions of FEA likely to be carried into effect by October 15th. (From FEA Crowley, Bennett.) This order also transfers to Department of State all functions of Army-Navy Liquidation Commissioner.

The order provides "The War Department and the Navy Department shall each store, care for, handle, deliver and keep the fiscal and all other accounts for all property declared to be surplus in foreign areas" and "Shall furnish such personnel, transportation and administrative services or facilities as may be required for foreign disposal."

Order also provides "The Secretary of War and the Secretary of the Navy are authorized to detail enlisted personnel of the military and naval establishments, respectively, to the Department of State to assist it in the discharge of its duties under this part or of any duties delegated to it under the Surplus Property Act of 1944."

BYRNES

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893.24/10-1145

*Memorandum of Conversation, by the Deputy Director of the Office of Far Eastern Affairs (Penfield)*

[WASHINGTON,] October 11, 1945.

Mr. Maxwell<sup>58</sup> and Commander Parkin<sup>59</sup> telephoned this morning to state that, in accordance with standard practice, the Army is now demilitarizing certain equipment in China before turning it over to

<sup>57</sup> Executive Order No. 9630; 10 *Federal Register* 12245.

<sup>58</sup> James A. Maxwell, Assistant Chief of the Division of Lend-Lease and Surplus War Property Affairs.

<sup>59</sup> Lt. Comdr. Norman C. Parkin, Office of the Army-Navy Liquidation Commissioner.

ANLC for disposal as surplus property and that the War Department has indicated that it has no objection to the sale of this equipment to the Chinese without being demilitarized. Mr. Maxwell and Commander Parkin inquired whether the Department would be justified in accepting the equipment without demilitarization on the assumption that it would be in accordance with our policy later to dispose of it to the Chinese.

I stated that it was my impression that the United States is committed to the completion of the so-called 39-division program, that I understood there were still some supplies for that program to be shipped from the United States, and that I thought if the surplus equipment now being turned over to ANLC in China could be substituted for the equipment still to be shipped on the 39-division program we could safely accept this equipment without demilitarization. I also said that, as there is so far no United States commitment for military aid to China over and above the 39-division program, if the surplus equipment in China could not be applied to this program as originally set up it might be advisable to allow the equipment to be demilitarized before it is turned over to ANLC. I suggested that Commander Parkin get in touch with Colonel Byroade<sup>60</sup> or some other officer in OPD who would be able to explain just how the surplus equipment might be fitted into the 39-division program.

The conversation closed with the understanding that if surplus equipment can be used in the 39-division program it will not be demilitarized but that if it cannot be used in this program it will be demilitarized before being turned over to ANLC.

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102.1/10-1645 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 16, 1945—5 p. m.

1680. For Adler from the Secretary of the Treasury.

1. In connection with settlement of outstanding advances to the U. S. Army by the Chinese Government, Treasury's present thinking is to propose to the Chinese Government that it credit us with the yuan obtained from the sale of surplus property against our yuan obligation to the Chinese.<sup>61</sup> We do not know the total value of the surplus property to be disposed, so we do not know whether the proceeds are likely to be less or more than our current obligations to the Chinese.

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<sup>60</sup> Henry A. Byroade, Operations Division, War Department.

<sup>61</sup> In telegram No. 1689, October 17, 4 p. m., the Department indicated that it was the intent of the Treasury Department to instruct Mr. Adler to advance this proposal to the Chinese Government.

2. Please keep Treasury currently informed of developments on this matter, particularly cabling your views as to whether the Chinese are stalling in making reply. It is essential that the disposal of this property be expedited as quickly as possible.

3. If the Chinese Government accepts this method of settlement, the question of the specific exchange rate to be used would be avoided by selling the surplus property to the Chinese Government at the best yuan price obtainable. [Morgenthau.]

BYRNES

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893.51/10-1945 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 19, 1945—6 p. m.

1705. Refer Dept's 1635 Oct 9 and Dept's 1680 Oct 16 for Adler from Treasury (ReEmb 1682 [1662] Sept 26 and 1731 [1781] Oct 12<sup>62</sup>) which together with Dept's 1598 [1596] Oct 3 and 1643 Oct 10 from FEA cover situation to date with reference specific points raised Emb 1682 [1662].

Department's information regarding loans is that Mr. Soong did not talk to the Export-Import Bank directly, but did talk to Mr. Leo Crowley, since resigned, in terms of a \$560,000,000 Export-Import Bank credit. Mr. Soong is believed to have mentioned this sum to the President, who is reported to have indicated his general approval.

During the past week, representatives of the Chinese Supply Commission sent a letter to Wayne Taylor, President, Export-Import Bank, requesting a loan of \$670,000,000 for the first year of a 3-year program. Mr. Taylor requested submission of further details as to requirements, specifications, and time periods for specific projects, and made no commitment pending receipt of said information. Embassy will be kept informed of developments.

BYRNES

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102.1/10-2545 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 25, 1945—8 a. m.

[Received 11:13 a. m.]

1859. For Secretary [of] Treasury from Adler and Casaday. Saw Minister of Finance morning October 24.

1. Re your 1680 and 1689<sup>63</sup> of October 16 and 17, made proposal contained in (1) of your 1680. Minister said that it sounded like a

<sup>62</sup> Latter not printed.

<sup>63</sup> Concerning the latter, see footnote 61, p. 1168.

good idea and that he would consider the proposal but made no commitment. Obviously it would be necessary for him to consult Dr. Soong and other members of his Government before being able to do so.

2. Reur 1500 of September 20<sup>64</sup> Minister indicated he objected to proposed procedure. He further pointed out that the Ministry did not desire to extend the arrangement adopted for the United Clearing Board to other individuals and organizations.

3. He admitted that it was desirable to set a realistic exchange rate as soon as possible and states Ministry was working on question now. But in meantime he does not want to make any commitment or announcement such as one concerning the 500 to 1 rate (see your 1635 of October 5 [9]) but preferred to let matters stand as they are. This situation, however unsatisfactory, was less disadvantageous than making special *ad hoc* exchange arrangements for this interim period. The Shanghai Telephone Company had raised question of obtaining CN dollar funds with him and he had agreed that a loan of CN \$200 million at a rate to be decided later should be made to it for carrying on its current operations.

4. He again indicated that the Chinese Government had not agreed to permitting American businessmen to sell blocked dollars. We informed him of Treasury amendment of General Ruling Five A on October 5 and pointed out that under circumstances American businessmen should receive same financial privileges granted other foreign businessmen in China to which he agreed. But when asked about the position of British businessmen in Shanghai he did not know whether they were using the so-called "channel" arrangement or not. We are under impression that though Chinese Government will not officially approve sale of blocked dollars by American businessmen it will not take measures to prohibit such sales as the Minister of Finance, while clearly indicating a preference for letting present situation ride for the moment, admitted existing exchange set-up is unrealistic. We are reliably informed that such sales are already taking place on limited scale. [Adler and Casaday.]

ROBERTSON

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893.5151/9-2845: Telegram

*The Secretary of State to the Chargé in China (Robertson)*

[Extract]

WASHINGTON, October 29, 1945—6 p. m.

1757. For Adler from the Secretary of the Treasury.

*Part I*

1. For your guidance in discussions with O. K. Yui and T. V. Soong (Refer our 1635 Oct 9), following summary of exchange of cables in

<sup>64</sup> Not printed.

1944 between Treas[ury] and Friedman on subject of blocked dollars is given below:

2. In our meeting with Pei here on Oct 2, Treas[ury] explicitly stated to Pei general policy principle that Treas will not and cannot take measures designed to force American businessmen to use dollar-yuan rate which is not realistic. Treas[ury] emphasized to Pei that CN\$500 to US\$1 rate proposed by him was unrealistic and that, therefore, Treas[ury] would continue to permit sale of blocked dollars by American businessmen in China. Whereupon Pei gave his approval to both general policy principle and to its implementation, i. e., continuance of sale of blocked dollars in China, including newly liberated areas of China.

3. Please approach O. K. Yui and inform him of contents of p[ara-]g[rap]h 2 above and review for him content of his discussions with Friedman last year as shown in pgh 1 above. If he indicates that Chinese Govt does not intend to announce a more favorable rate than 500 to 1 for all business remittances and he objects to sale of blocked dollars to American business firms, you should intimate to him that this decision will invoke very strong dissatisfaction on part of American businessmen and will not be conducive to satisfactory Sino-American financial and commercial relations.

4. For reasons known to you, Treas has been most reluctant in past to urge Chinese to establish any particular exchange rate. Do you feel that Treasury should make specific recommendation to Chinese at this time? If so, please indicate reasons and what rate should be recommended. For your guidance on above, there follows below relevant excerpts from formal memorandum submitted by Pei to Treas under date of Aug 31: <sup>65</sup> (We had sent you copy of this memorandum via diplomatic air pouch, but in view of your non-receipt of all our correspondence, copy of this memorandum is being carried to you by Consular officials going to Shanghai. Furthermore, we are checking with State Dept as to why you have not received any of our diplomatic air pouch communications.)

"Prices and exchange to be substantially stabilized first in terms of the existing currency, but a new currency to be issued as soon as sufficient progress has been made with fiscal measures and restoration of confidence to permit a successful currency reform. The value of the new currency unit to be a little lower than the prewar unit in terms of U. S. dollars, e. g., at US\$0.25 instead of at about US\$0.30 before the war. In determining the value of the new unit, the value of the Japanese and other competitive currencies to be taken into account."

5. Pei explicitly indicated to us that it is intention of his govt

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<sup>65</sup> Not printed.

during the so-called immediate interim period of adjustment prior to establishment of new US\$0.25 rate to fix exchange rates reflective of changing conditions.

*Part II*

6. With concurrence of State Dept, Treas will issue in near future general license removing practically all freezing control restrictions on current transactions with "specified blocked countries". License, however, will not permit debits, unless authorized by some other license, to property or income thereon which on date of license is blocked by reason of interest of person within blocked country. Release of such blocked property will be handled separately at appropriate time for various countries.

7. Under this new license, powers of attorney, proxies, and other instructions, checks, drafts, securities, bills of lading, and other financial and commercial documents may be freely sent to specified blocked countries. Trade transactions between US or generally licensed trade area and specified blocked countries or between specified blocked countries may be freely financed through US banking facilities except where debits to existing blocked accounts are involved. No blocking restrictions will be applicable to dollar exchange accruing after date of license except in case of income on property blocked on date of license.

8. The term "specified blocked countries" will include not only such liberated countries as Belgium, Neth[erlands], Norway, Austria, etc., but also Italy, Bulgaria, Rumania, and Hungary. Only Germany, Japan, Sweden, Switzerland, Portugal, Spain, and Liechtenstein will be excluded from license except that consideration will be given to excluding China should Chinese Govt request us to do so. You should point out to Chinese Govt that liberated areas in East Asia including Hongkong, Singapore, Neth East Indies, etc., will be included in new license. Thus, in East Asia only Japan and possibly China would be excluded.

9. Unless you have objections, this matter should also be discussed immediately with Chinese Govt when you discuss Part I with O. K. Yui. We do not wish in any event to exclude China from new license unless we are requested to do so by Chinese Govt. If China is excluded from license we will have to explain this matter publicly on grounds that action was requested by Chinese Govt. You may wish in your discussions to tell O. K. Yui that unless suitable arrangements re exchange are made Treas will have no choice but to lift freezing controls on current transactions with China.

10. For your guidance on above, Pei has indicated that Chinese Govt wants us to continue our freezing controls in regard to China and in memo to Treas dated Aug 31, referred to above, expressed view

that "Freezing of Chinese assets abroad to be temporarily continued, and to be modified or abandoned only after consultation with China". This statement was made, however, before we had decided to issue this new license and Pei, therefore, had no knowledge that compliance with his request would cause China to be treated differently from other liberated countries. We have not discussed new license with Pei.

11. Issuance of new general license planned for Nov 5 and cannot be delayed beyond Nov 12. China must either be included or excluded. Please therefore reply urgently. Should you decide not to take matter up with Chinese please submit your recommendations as to inclusion or exclusion of China from license. [Morgenthau.]

BYRNES

102.1/10-1645 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 1, 1945—1 p. m.

1774. For Adler from the Secretary of the Treasury.

1. ANLC representative John K. Howard<sup>66</sup> leaving Washington immediately for Chungking to negotiate disposal of surplus property in China. He has been informed that Adler will be available in Chungking for discussions with him. (Re our 1680, October 16.)

2. If Adler is not in Chungking now, please inform him to return to Chungking by November 1.

3. What is the status of the proposal regarding yuan advances and surplus property outlined in our cable of October 16. This is a matter of top priority. [Morgenthau.]

BYRNES

893.5151/11-245

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 2, 1945—2 p. m.

[Received November 2—10:05 a. m.]

1911. For Secretary [of] Treasury from Adler. [Saw] Yui evening November 1 and morning November 2 and transmitted your message concerning arrangement for American businessmen and substance of contemplated new license. Re your 1635, October 9. Told him that "unless suitable arrangements re exchange are made Treasury will have no choice but to lift freezing controls on current transactions

<sup>66</sup> Special Representative of the Foreign Liquidation Commissioner for the China Theater.

with China.” He again pointed out that American businessmen had never previously sold blocked dollars in China and that Chinese Government had never granted such permission. He also indicated that while he had received a number of cables from Pei none had mentioned *c* of Part I of your 1635 of October 9 or the substance of 2 of Part I of your 1757 of October 21 [29]. Whereupon I transmitted to him substance of 3 of your Part I. He admitted that a 500 to 1 rate was unrealistic in the existing situation. He is obviously harassed by the exchange and other financial problems confronting China. My impression is that his own inclination would be to agree to a satisfactory exchange arrangement for American businessmen.

O. K. Yui informed me he would discuss both exchange situation and new license with Dr. Soong and the Generalissimo. Dr. Soong is ill and Minister said he would therefore appreciate it if Treasury could defer announcement of the new license for 2 or 3 days. While he made no specific statement the course of the discussions made it apparent that it is probably his intention to ask Treasury to continue existing freezing arrangements with respect to China either in whole or in part. [Adler.]

ROBERTSON

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893.5151/11-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 8, 1945.

[Received November 8—8:33 a. m.]

1945. For Secretary of the Treasury from Adler.

1. When asked at a press conference in Chungking on November 7 when the Government could announce a fixed rate of exchange, Dr. P. H. Chang,<sup>67</sup> the Government spokesman, said, “Of course, the Government will readjust the present rate. But this question of rate of exchange is a highly complicated matter. The Government will make a decision after a careful and thorough study of the whole question is completed.”

2. When asked why separate currencies have been issued in Manchuria and Formosa, he said, “Before Japan surrendered, Formosa was a part of the Japanese territory. During the war on account of Japanese maneuvers, Manchuria was more or less isolated from China economically. Their currencies were directly linked with the Japanese yen and should not be considered as on the same basis as the puppet notes FRB (Federal Reserve Board) or CRB (Chinese Reserve Bank). Therefore, it is necessary to issue the so-called scripts

<sup>67</sup> Reserve member of the Kuomintang Central Executive Committee.



as a temporary measure to cope with the special situation in the north-eastern provinces and Formosa. China's currency will be unified." [Adler.]

ROBERTSON

893.5151/11-1045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 10, 1945—8 a. m.

[Received November 9—11 : 50 p. m.]

1955. For Secretary of the Treasury from Adler. Minister of Finance formally notified me Friday evening that :

"The Chinese Government desires that Chinese fund and property of all kinds that are blocked on the date of issuance of the new general license together with income thereon (re your 1757 of October 29 and my 1911 of November 2) shall remain blocked as heretofore, and that no material change be made in respect thereof other than in pursuance of arrangements made in consultation between the Chinese and American Governments. This seemed necessary especially in view of the yet undetermined extent of enemy and puppet interest in such funds and property.

I note that the new general license would free from foreign funds control such dollar exchange as accrues after the date of issue of the new general license, save in the case of income on property that is blocked on that date. The Chinese Government desires to be included among the 'specified blocked countries' under the new license.

I may add that the Chinese Government intends shortly to take action that it is hoped will permit the resumption and expansion of foreign trade and exchange operations."

Minister of Finance informally indicated that American businessmen in China could sell dollars under paragraph 2 of above message. [Adler.]

ROBERTSON

893.51/11-1345 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 13, 1945—11 a. m.

[Received November 15—5 : 56 p. m.]

206. From Commercial Attaché.<sup>68</sup>

1. Articles in local press state that an Export-Import Bank loan for China is being considered. Strong local rumors in Chinese official circles are to the effect that the deal has been closed, that the

<sup>68</sup> Alonzo Bland Calder.

amount is U. S. dollars 600 million and that further credits may be expected later. Kindly inform Embassy and Consulate General whether this rumor is correct and state terms and conditions. In connection with this reported transaction, were there any undertakings on the part of the Chinese in the nature of *quid pro quo*?

2. If there were no such undertakings and if it is not too late to introduce stipulations, is it not high time that the Departments of State and Commerce inject themselves into such negotiations and transactions in a manner to assure more equitable U. S. trading rights in China and the removal of past and present abuses?

3. For example, would it not be proper at this time in connection with the advancement of a loan of such proportions to expect from the Chinese an undertaking to stop pirating our books and periodicals and to establish copyright, patent and trade mark laws which will respect American ownership rights? The facts with regard to the pirating of books and periodicals are well known in Washington. Not too well known is the fact that machine making plants in Shanghai in the years prior to December 7, 1941, were actually and increasingly engaged in copying many kinds of American industrial equipment including machine tools, not only for domestic use in China but for export to Australia, the Netherlands Indies, Malay States, and India. Some machine tools were even exported to the United States. At that time such activity was regarded in a favorable light as contributory to the war effort of certain of the countries and to preparedness programs of others. But, if these activities are to be resumed in the post-war period they are bound to produce constant friction. Lack of an understanding on these points will simply encourage in China repetition of Japan's performance which was not to our liking.

4. It would also appear high time to expect from China an undertaking in principle, details to be worked out later, for a reciprocal trade agreement which would reduce inequalities which now exist in the U. S. trading position and to arrest a tendency toward further introduction by China of measures restrictive of our trade.

5. Right now undercurrents indicate that regulations are in the making which will involve all import exchange being turned over to the Ministry of Finance or to Chinese Government banks. This implies that a strict control over the release of import exchange is also planned. There is some talk and apprehension that an import prohibition list of "luxury" or "non-essential" items will be set up. The contention will doubtless be that China, in view of its monetary inflation, of the desire to stabilize exchange, and of the need to provide for meeting old and new foreign monetary obligations, cannot afford to import "non-essentials". A prohibited list of imports or of items, upon which prohibitive import tariffs might be levied, may embrace

such items as cosmetics, toiletries, passenger automobiles for private use, canned goods and other food "luxuries", and foreign motion pictures, thus to avoid royalty remittances abroad of same, etc., etc. Such policies will tend to deter foreigners including Americans from living in China where living costs may thus be inordinately high because of excessive tariff rates on the articles used by them daily.

6. On the basis of pre-war performance the balance of payments in Sino-American relations should formally [*normally?*] be favorable to China to a degree sufficient to provide for a fairly good volume of exports from the U. S. to China and for a reasonably good flow of funds for China debt liquidation as well. When China can possess Manchuria and can benefit from its large exportable surpluses, its position in this respect should be even better. However, the amortization schedules for servicing very large American loans are quite likely to involve the setting aside annually of such large portions of China's cash in cash payments as to necessitate the severe curtailment of imports.

Thus, unless China's paying power can be augmented in some unforeseeable way and particularly unless understanding and agreement are achieved in advance and the extent of loans regulated accordingly, the very act of extending large credits appears likely to react in such a manner that our exports to China (except for initial shipments of capital equipment under the credits) will not expand as anticipated, but will suffer contraction under increasing Chinese import trade restrictions.

7. As China's best single customer, and as a principal creditor and a source of remittances and philanthropic funds, the U. S. should be in position to regulate this situation to its own satisfaction. It would thus be of interest to know whether these points are being given consideration in connection with the granting of Chinese requests for large advances for financing its plans for industrial expansion [and?] modernization.

Sent Department, repeated to Chungking.

JOSSELYN

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102.1/10-2545 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 14, 1945—7 p. m.

1841. For Adler from the Secretary of the Treasury. We were glad to learn that (Urtel 1859 Oct 25, 1945) O. K. Yui is considering our proposal to tie up the disposal of surplus property with Army

obligations and assume that you have received our cable dated November 1, 1945, regarding the arrival of John K. Howard in Chungking to negotiate disposal of surplus property in China.

Inasmuch as it is very urgent that we come to an agreement with the Chinese on this matter of surplus property, you should press O. K. Yui constantly for a decision by the Chinese Government. [Morgenthau.]

BYRNES

102.1/11-1445: Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 14, 1945—7 p. m.

1842. From Treasury for Adler.

1. For your information our last gold shipment under terms of our commitment to China last May<sup>69</sup> left New York on September 12. Acting under instructions from Hsi Te-mou,<sup>70</sup> shipments have not gone forward since that date. Hsi states that Chinese Government is in "no hurry" to ship more gold to Shanghai.

2. Up to and including September 12 we delivered a total of nearly \$121 million to U. S. ports for delivery to Chungking and Shanghai, of which \$95 million went by water and \$26 million went by air. Of this total of \$121 million we shipped \$25 million by steamer to Shanghai. In addition to the shipment of gold under terms of our commitment to China, we have sent since the date of our commitment one shipment of "tin-gold"<sup>71</sup> amounting to US\$6 million, which left New York on September 19.

3. We have aided the Chinese in obtaining transportation for banknotes to China. Details regarding the Army steamer shipments we have arranged for the Chinese are as follows:

<i>Weight of Notes (tons)</i>	<i>Destination</i>	<i>Date left U. S. port</i>
15	Shanghai	Sept. 20
41	Calcutta	Oct. 3
74	Shanghai	Oct. 19

We have not arranged for any shipments since October 19 and Hsi has informed us that he may not ask us to arrange for further Army shipments if commercial transport facilities can handle all the bank-note tonnage he wishes to ship to China.

BYRNES

<sup>69</sup> See letter of May 16 from the Secretary of the Treasury to the Chinese Minister for Foreign Affairs, p. 1089.

<sup>70</sup> Representative in the United States of the Chinese Ministry of Finance and the Central Bank of China.

<sup>71</sup> This reference is to a special shipment of gold to encourage production of tin in China.

893.50/11-1545 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 15, 1945—8 a. m.

[Received November 16—4: 20 p. m.]

208. 1. Outlook for economic recovery in Shanghai region, fairly buoyant in early October, has changed in succeeding weeks to one of pessimism, at least with regard to the immediate future.

2. The overhanging political shadow in the north has dampened prospects for drawing at any early date upon the resources of Manchuria for improvement of China's general economy. The growing seriousness of the civil war situation and shortage of shipping prevents the orderly opening up of transportation routes and ports and the resumption of internal trade; besides making the outlook for the adequate and steady supply of Kailan Puar [*Kailan coal*] to Shanghai decidedly doubtful and problematic.

3. The suspicion under which many local Chinese industrialists have been regarded by the Chungking authorities, hence their doubtful status, plus the actual indictment of some of them as wartime collaborationists with the enemy, constitute a situation and atmosphere which has thrown considerable damper upon the resumption of local industrial activity.

4. Uncertainties as to supplies of raw materials, labor unrest which resulted in numbers of strikes in October in utility [companies?] and labor's pressure for higher wages to offset rising living costs, together with the problematic electrical power supply outlook, make it almost impossible for industrial plant owners to figure either costs or selling prices. These situations also tend to hold up resumption of industrial plant operation.

5. Apprehension with regard to what appears to be a rather stiff direct tax program to be locally applied by the Central Government authorities through a direct tax office opened in Shanghai November 1 added another disconcerting element tending to make industrial operators hesitate. Whereas there were possibly 300 factories operating in Shanghai prior to V-J Day, very few are now functioning.

6. These several factors, together with uncertainty as to the exchange value and future purchasing power of the Chinese national dollar or yuan and the absence of promise for an early resumption of foreign trade, have caused local sentiment virtually to nose dive. Whereas, a month ago, merchants and hoarders were putting their goods on sale at fairly reasonable prices, a complete reversal has occurred. The general public in face of the array of adverse factors resumed a commodity and U. S. dollar note hoarding spree. By the first week in November most food prices had increased 2½ to 3

times over those prevailing in September and early October. Prices continue to rise daily, some meats now selling at 6 times previous price. A considerable range of consumer goods advances as much as seven or more fold in price, with merchants changing prices daily or oftener and some hiding their best quality goods not wishing to exchange same for local currency at any price until replacements are in sight and better ideas of replacement costs can be visualized.

7. The considerable influx of American military personnel, the gradual return of numbers of Chinese to Shanghai from interior or coastal points to which they evacuated during war years, plus outport buying from Shanghai stocks of merchandise, are further factors which have added to skyrocketing prices and sharply advancing living costs.

8. There has been some flight both from gold bars and Chinese national yuan currency into U. S. dollar notes, the public fearing that restrictions might be placed upon gold bar trading, the movement prompted also by the considerable influx of Chinese national currency from West China. The result has been that the prevailing rate of around CN dollars 600 to 700 in early October dropped rapidly to around 2000 in late October but seems now to have reached a temporary stability around 1500 to 1600 CN dollars to 1 U. S. dollar on the local exchange market. U. S. dollar note expenditures by American military and others are estimated at between U. S. dollars 45 million per month. Thus the influx has been patently below demand.

9. The failure of the Chinese authorities thus far to make a realistic approach to the exchange problem and to make provisions for resumption of export trade at a rate which would make business possible and the fact that so far foreign banks have not been able to work out a basis for operations, has so dampened the prospects for early resumption of foreign trade as to contribute to the general air of pessimism. One American businessman, after arriving and looking over the situation remarked he felt he had returned to China probably nine months too soon, so slowly is the situation shaping itself to permit of business operations.

10. Some hopes are entertained that the Chinese financial authorities may soon announce an exchange rate which will make export business possible, but it seems virtually certain that when this is done, regulations will be instituted requiring the surrender to the Government banks of all foreign currency exchange derived from exports. It is also to be assumed that foreign currency so acquired will be released only on a highly restricted and controlled basis for the financing of what will be regarded as "essential" imports [*essential imports?*]. This prospect dampens enthusiasm for export business as exporters will be reluctant to exchange their commodities for local

currency unless there is a good prospect for reasonable freedom in exchanging same for foreign and domestic industrial products.

11. There is some encouragement for exporters in the recent announcement from Chungking that official monopoly controls over bristles, tea, and other export commodities are being abolished, but exporters are still apprehensive over their chances for securing something more tangible than local currency in exchange for their goods. There are considerable accumulations of export goods in West and Central China, particularly goat skins, bristles, tung oil, nut galls, etc., and more goods will be prepared for export whenever the proper incentive is created. Transportation down river. Little traffic due to shortage of water craft and possible interference by Communist forces but past experience has shown that Chinese traders usually find ways of surmounting these difficulties. Hence some goods are bound to move when conditions otherwise make it possible. Exporters want trucks, petroleum products, motor cars, and numerous kinds of imported consumer goods in return for their products, but are apprehensive that restrictions will be such for a time as to make their wishes unrealizable.

12. Cotton milling, in the past the most highly developed industry in Shanghai, is now operating an estimated 100,000 spindles, using local supplies of Chinese short staple cotton. However, operations are not steady as supplies of raw materials are uncertain as is the outlook for adequate fuel for electrical power supply. An additional 800,000 spindles, partly Jap owned but now taken over by the Chinese authorities, could operate after undergoing some repairs and replacement of missing units of equipment. All British owned cotton mills in Shanghai were stripped of their equipment by the Japs.

13. Some Chinese industrialists would like to reestablish their destroyed or partly destroyed cotton mills but they are uninformed as to whether they will be permitted to participate in American credits for China's rehabilitation, or whether such credits will be employed only for setting up the categories of enterprises reserved by the Chinese Government as its special field. They learn on inquiry from British suppliers that British cotton milling machinery cannot be delivered under 18 months. They would like to know what the outlook in this respect is in the U. S. and what prospects there may be for financing the recovery of this industry.

14. Chemicals and dyes are needed for sizing, bleaching, dyeing, printing and finishing cotton textiles as stocks are low or non-existent.

15. There is reported to be some small tonnage of foodstuffs including canned goods and powdered milk, some paper and roofing materials, also petroleum products in drums (not in bulk as installations are not yet able to handle bulk oils) en route to Shanghai shipped by

U. S. suppliers to their branches here in an effort to supply dealers and recommence business. The problem of payment for these goods is not settled. There appears to be no assured ability to pick up on the local market U. S. dollar notes and remit these to the U. S. due to presumed regulations still in force against such procedure, so branches here will apparently accept, for collection, various credit instruments held by Chinese customers, such as old drafts, checks, et cetera. Until collections of these items are actually made, these transactions will represent extension of credit to dealers and distributors here. The procedure represents a somewhat realistic approach in efforts to resume business but the risks are considered warranted in efforts to hold old customers and resume trade. Those launching business anew in this way are hopeful that China accounts frozen in 1941<sup>72</sup> can be freed for financing such import business as many Chinese would thus have free funds, already on deposit in the U. S. which could be used.

16. Foregoing summary of conditions is submitted by Commercial Attaché for information of interested divisions of Dept of State and Commerce, but in light of the world political situation and the depressing tone of this news, it is deemed scarcely suitable for publication. It is suggested, therefore, that the sense of this message be given guarded dissemination among those business interests who are interested and concerned, and be used particularly for the guidance of American businessmen who may feel they may be losing out by inability quickly to return to China. It would seem advisable to acquaint such persons with the facts. When more encouraging developments occur they will be duly reported.

Sent to Department, repeated to Chungking.

JOSELYN

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102.1/11-2345 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 23, 1945—4 p. m.

1888. For Adler from the Secretary of the Treasury.

1. War Department has requested Treasury to approach the Chinese Government for permission to use either free or blocked dollars in negotiating rental and other contracts in China, particularly in Shanghai. These contracts would be made with Chinese, American, British, French and other nationals. In addition the Navy may wish to make rental contracts in Shanghai.

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<sup>72</sup> See telegram No. 165, July 25, 1941, 7 p. m., to the Ambassador in China, *Foreign Relations*, 1941, vol. v, p. 685.



2. We have delayed taking action on the above request until you were fully apprised of the questions involved from our end in surplus property disposal, settlement for Army expenditures and exchange arrangements with China.

3. Please let us have your recommendations regarding the matters raised in paragraph 1.<sup>73</sup> [Morgenthau.]

BYRNES

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe*<sup>74</sup> to *Mr. John K. Howard*<sup>75</sup>

WASHINGTON, 23 November 1945.

Warx 84913. Part 1. Treasury advises they have no reply with respect to Chinese willingness to offset Yuan received by U. S. for sales of surplus property against claims of Chinese Government against U. S. It is assumed you are working with Treasury Representative on this matter. Would appreciate any information you can give us as to status of these negotiations together with your suggestions, if any, as to any help we can give.

Part 2. Re FEA procured supplies originally intended for China but now in CBI<sup>76</sup> Theater. Records here show that in Aug 1945 these supplies were offered by Crowley to Chinese Govmt on three C terms which are in substance sales on 30 year credit for dollars at 2 $\frac{3}{8}$  percent interest. No value was finally set and negotiations lapsed but there may be at least some moral commitment which requires that Chinese now be given fair opportunity to purchase. FEA representative in China has indicated desire to declare these supplies surplus to FLC<sup>77</sup> in which case those in India would go to Schleiter<sup>78</sup> for disposal. Army is also pressing for this course. Because of possible commitment to Chinese we have instructed that this course be temporarily deferred but we have also requested Chinese representatives here to advise Chungking Government that surplus route will be followed unless an offer is made promptly for these supplies. Request you follow this up and advise us of potential Chinese Govmt interest. If you find such potential interest you are authorized to negotiate for

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<sup>73</sup> In telegram No. 2112, December 7, 9 a. m., Mr. Adler replied that apparently no large amounts were involved and he suggested taking no action for the time being (893.24/12-745).

<sup>74</sup> Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>75</sup> Special Representative of the Office of the Foreign Liquidation Commissioner for the China Theater.

<sup>76</sup> China-Burma-India.

<sup>77</sup> Office of the Foreign Liquidation Commissioner (OFLC).

<sup>78</sup> Walter B. Schleiter, Central Field Commissioner, India-Burma Theater, OFLC.

sale either on three C terms or on Yuan terms similar to those authorized for negotiations as to surplus located in China. We consider latter terms preferable. Assume you can secure inventory from Stanton, FEA representative in China.

Part 3. Treasury's proposal to authorize acceptance of Yuan also extends to surplus located in eastern China as of approximately VJ Day and you are authorized to negotiate for sale of such surplus if you so desire. However, any surplus items moved into China since then or in the future are not to be included in general deal except in small amounts for convenience, but when estimates for new imports into China are known this matter is to be referred for consideration.

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893.24/11-2445 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 24, 1945.

[Received December 13—10:25 a. m.]

260. Reourtel [*Embassy's*] 1806, October 17, 8 a. m.<sup>79</sup> and subsequent communications: by [*my?*] estimate of import requirements for consumption raw cotton this season ending August remains little changed at about 600,000 bales of 500 pounds net. The above estimate is based upon reasonably conservative assumptions, and information as to power available for the Shanghai mills, restricted labor supply and reduced prospects for obtaining domestic cotton. At present only about 150,000 spindles are in operation owing to lack of cotton.

Rehabilitation of the textile industry at Shanghai has been progressing at a slower rate than expected earlier in the season owing to organizational difficulties and power shortage but domestic supplies available for mills are very small so that foreign cotton is now much needed and is becoming an actual limiting factor in resumption of potential mill activity. It is, therefore, urgent that raw cotton imports move in active volume soon.

Latest figures indicate Shanghai spindles total 2,301,906, including 1,307,276 in Chinese mills and 967,972 in former Japanese mills, 41 small mills spinning up include 26,658 spindles. Present prospects indicate operation of about 500,000 of these spindles by the close of the year and an equal number of the Chinese-owned spindles all on one shift progressing to two shifts as fast as possible depending chiefly on available raw material. Progressively through the season another million may be brought into operation and also half million in other parts of liberated North China depending chiefly on political developments and available cotton.

<sup>79</sup> Not printed.

The cotton crop in the three lower provinces of Central China is estimated at over 1,300,000 piculs or 40% of average owing to small acreage. About half of this is normally available mills but much is now cut off. An endeavor is being made to procure 100,000 piculs from Hankow area. Information on available raw cotton for the mills of North China indicates a maximum of 500,000 piculs. My present estimate for the present total cotton crop in China exclusive of Manchuria is raised slightly to 6,800,000 shih piculs compared with 6,400,000 for 1944. Of this probably not more than 2,000,000 piculs will be available for modern spinning mills this season, the remainder going to home spinning and stocks. Present Shanghai stocks are estimated at not more than 20,000 bales of raw cotton and in North China centers approximately an equal amount. Yarn stocks in Shanghai are very small. Foreign cotton shipped or contracted for including UNRRA cotton about 60,000 bales.

Cost of imported seven-eighths middling American cotton to China at present is about 45,000 CNC per shih picul while domestic cotton for 32 counts costs about 100,000 CNC. Profits on yarn for the latter are nearly 75% which is indication of the potent demand for foreign cotton.

With number of spindles in China expected available for operation next season in China excluding Manchuria raw cotton requirements expected approach 1,900,000 bales of which only approximately one-half might be available from domestic supplies according to the present prospects. Therefore demand for imported cotton expected to be even larger next season.

Sent to Department, repeated to Chungking.

JOSELYN

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893.51/11-1345 : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*

WASHINGTON, November 26, 1945—8 p. m.

211. 1. Negotiations proceeding slowly on basis Crowley's discussion of 560 million dollars ExImBank credit with Soong. Rumor reported Urtel 206, November 13, 11 A. M. untrue and little progress in negotiations since Deptel 1705, October 19, 6 P. M. to Chungking.

2. Department now preparing statement on desired undertakings in nature of *quid pro quo*.

3. Article IX of draft commercial treaty heretofore submitted covers these points. Article VII of Treaty Relinquishing Extraterritoriality<sup>80</sup> provided for early conclusion of commercial treaty and

<sup>80</sup> Signed at Washington, January 11, 1943, Department of State Treaty Series No. 984, or 57 Stat. 767.

Department probably will urge prompt negotiation as part of undertakings to be requested. Statement in Urtel 206 re machine tool exports immediate prewar years not supported by facts known here. Please send details by airgram.

4. For your confidential information, trade agreement proposals are being formulated and will be brought to China's attention in due course.

5. Interested divisions and Departments are considering these questions but from point of view of interests of both countries. It is believed that some restriction of imports may prove unavoidable for a time but safeguards should be sought against discrimination.

6. Department believes situation requires consideration of China's total balance of payments with all countries not merely with United States.

7. Department's attitude is that credits must be considered primarily in relation to China's needed rehabilitation and development but interests of this country in trade and investment should be safeguarded.

Foregoing views are provisional not final.

Repeat to Chungking.

BYRNES

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893.24/11-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 28, 1945—10 a. m.

[Received 11:10 a. m.]

2053. For Secretary of the Treasury from Adler. Review of present status of Army property<sup>81</sup> in West China.

1. This property has not been declared surplus and can be disposed of by Commanding General on emergency basis. He has decided that he should do so on grounds of military necessity in view of dangers to American lives in protecting this property and wishes to do [so] in consultation with other interested agencies.

2. He has received War Dept's agreement to his selling to Chinese Govt on following lines:

“(a) China to pay a fair price for the property transferred with generous allowance for depreciation, the net price and draw payment to be specified in the agreement.

<sup>81</sup> Under procedures then in force, the War Department, as the owning agency, was empowered to declare surplus fixed installations such as airfields and telephone toll lines in China and elsewhere; however, the development of disposal plans was the responsibility of the Foreign Liquidation Commissioner in the Department of State. Letter of December 22 from Williard L. Thorp, Deputy to the Assistant Secretary for Economic Affairs (Clayton), to Brig. Gen. D. N. Hauseman, Director, Readjustment Division, Headquarters Army Service Forces, not printed (800.24/12-445).

(b) Terms of payment to be negotiated subsequently by Treasury, agreement on terms of payment to include provision that any surplus of settlement of U. S. indebtedness to China for military expenditures in excess of China's cash down payments for surplus property acquired by her be used for immediately offsetting her debt on such surplus property."

FLC (Foreign Liquidation Commission) Washington concurred provided Howard and State and Treasury representatives in China concurred.

3. After discussions among War, State, FLC and Treasury representatives here, discussions with Dr. Soong were initiated. He was informed that we had

(a) Property acquired at cost of CN dollars 12 billion to us which after making due allowance for depreciation was worth CN dollars 5 billion. Army proposed that this CN dollars 5 billion be offset against Chinese Govt no-rate CN dollar advances to our army for fourth quarter of 1945, to which Soong agreed.

(b) U. S. dollars 67 million of U. S. Air Force and Service of Supply property after due allowance for depreciation, etc. Soong offered us U. S. dollars 20 million for this property on terms of payment identical with Clause Three C of Belgian Lend-Lease agreement.<sup>62</sup>

4. After discussion among representatives of interested U. S. agencies, it was agreed to make the following counterproposal to Soong on 3 (b) above:

(a) A price of U. S. dollars 30 million.

(b) A cash down payment of U. S. dollars 5 million.

(c) Embassy and Treasury Attaché to urge Treasury to agree to clause Three C terms of payment with the provision that any surplus of settlement of United States indebtedness to China for military expenditures in excess of China's cash down payments for surplus property acquired by her be used for immediately offsetting for [her] debt on such surplus property.

5. Soong's reply was that he would discuss the question with the Generalissimo. On November 27 Soong made the following offer after his discussion with the Generalissimo.

(a) A price of U. S. dollars 25 million.

(b) A cash down payment of U. S. dollars 5 million.

(c) Terms of payment to be those of Clause Three C Lend-Lease agreement [Act].

6. Minister Robertson and I agree that Commanding General be advised to accept Soong's offer on condition that provision in 4 (c) above be included in terms of payment. Howard of FLC willing to accept this as settlement though he feels price too low. I strongly

<sup>62</sup> Signed at Washington, June 16, 1942, Department of State Executive Agreement Series No. 254, or 56 Stat. 1504. This agreement has no clause Three C, the reference being to Section 3 (c) of the Lend-Lease Act of 1941.

urge Treasury to agree to terms of payment indicated in 4 (c) above but advise against accepting terms of payment so far proposed by Soong. Would appreciate your response as soon as possible in view of urgency of question. [Adler.]

ROBERTSON

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893.24 FLC/11-2945

*Mr. John K. Howard to Mr. Thomas B. McCabe*

SHANGHAI, 29 November 1945.

CFBX 16087. This answers urad Warx 84913.<sup>83</sup> Part. 1. Answer withheld until present negotiations with Chinese Government on West China property are completed. We are working with Army, State and Treasury Departments on this matter. Part 2. We have no moral commitment China on property referred to, it having been offered and turned down. We recommend that supplies referred to in part 2 be disposed of by Schleiter, FLC, and he is being so informed today. There is a market for these supplies in India. Part 3. No immediate answer yet.

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893.5151/12-345 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 3, 1945—11 p. m.

1930. For Adler from the Secretary of the Treasury.

1. Pei called at Treasury on November 8 and 9 to discuss the proposed general license (refer our #1757 dated October 29, 1945, your #1911 of November 2 and #1955 of November 10) and related problems. For your information, the results of our discussions are given below.

(a) Pei indicated that he might recommend to his government that it request Treasury to include China in the new license when it is announced but further to request that the announcement should state that the license is not effective for China until February 1, 1946. We informed Pei that it would be legally possible to do this but could not state in advance of receiving China's request what the Treasury's policy on such request would be. In view of Chinese request contained your #1955 we are, of course, including China in the new license effective on the date of issuance which we now expect to be within a week.

(b) In addition, we explicitly informed Pei that due to increasing pressure here from U. S. nationals, as well as U. S. business-men, we

<sup>83</sup> November 23, p. 1183.

would take no steps to force such nationals to use the official rate of exchange, even if controls over current transactions were not lifted.

(c) Pei took the position, in response to our query as to the status of his proposal to establish exchange rates reflective of changing conditions, that the Chinese Government would, at a later time, establish a "more reasonable" rate.

2. Do you feel that the Treasury has now received a reasonably satisfactory reply to Secretary Vinson's request to Dr. Soong<sup>84</sup> for some arrangement which would meet the needs of American businessmen, particularly in view of our contemplated general license regarding current transactions? If not, what lines of approach to the Chinese do you suggest? [Morgenthau.]

BYRNES

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893.24/12-345

*Memorandum of Conversation, by Mr. Fulton Freeman of the Division of Chinese Affairs*

[WASHINGTON,] December 3, 1945.

In response to an inquiry as to the conditions and authority under which war materials (including airplanes) are now being shipped from the Burma and India theatres to China, Colonel Crume<sup>85</sup> informed me on November 30 that materials in these theatres which are no longer needed are being transferred to China under military Lend-Lease under authority contained in the President's proclamation on Lend-Lease<sup>86</sup> allowing the continuance of "assistance to Allied forces engaged against Japanese forces which have not surrendered". This assistance, Colonel Crume stated, while not restricted in categories of materials which may be so supplied, is limited to a six-month period ending March 2, 1946, at which time all Lend-Lease transfers shall cease.

With regard to the specific question of the shipment of aircraft from Burma and India to China which has been widely reported in the press, Colonel Crume stated that the transfer of these aircraft is also a part of the military Lend-Lease program and is in no way connected with either the 39 Division Program or the disposal abroad of surplus war materials under the OANLC. He said that title to these planes, as in all cases of military Lend-Lease, still remains with the American Government and the question of eventual turnover to the Chinese Government will be dependent on future policy determination among

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<sup>84</sup> See telegram No. 1520, September 21, 8 p. m., to the Ambassador in China, p. 1157.

<sup>85</sup> Col. J. R. Crume, Logistics Group, Operations Division, War Department General Staff.

<sup>86</sup> See circular telegram of September 13, 5 p. m., *ante*, p. 558.

the various agencies of our Government. Colonel Crume emphasized in this regard that the shipment to China of these aircraft was purely an interchange between theatres and was being carried out at the instance of General Wedemeyer.

When queried with respect to the status of shipments under the 39 Division Program, Colonel Crume stated that no transfers to the Chinese Government had been made under this program. However, he stated, the outline of the program had been used as a basis for screening war materials which had been sent to China under regular assignment. Colonel Crume estimated that in this way 85-90% of the total amount of goods to be transferred to China under the 39 Division Program were already in the theatre and that approximately 35% of this amount had already been turned over to the Chinese by V-J Day. Thus I gathered from our conversation that when our surplus war materials which are now in the China Theatre are turned over to the Chinese Government, the projected supplying under the 39 Division Program will lack little more than 10% from completion.

(NOTE: Colonel Crume was apparently being confusingly legalistic. It appears that the essence of the information he gave is contained in the last sentence of the preceding paragraph.)

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893.24FLC/12-345

*Mr. John K. Howard to Mr. Thomas B. McCabe*

SHANGHAI, 3 December 1945.

CFB 16411. This is further answer to your Warx 84913 and supplements our answer of 29 November CFBX 16087. Part 1 answer follows: U. S. Army made agreement for sale of army property in West China on November 29. Contract has been summarized in radio CFB 16314 dated 1 December 1945<sup>87</sup> to War Department, parcel number 2953 of courier pouch number 43-1086. FLC and Treasury were present during Army's negotiations up to final stages but had nothing to do with the latter. This matter thoroughly covered by letters Howard to McCabe dated 11, 13, 14, 17 and 30 November.<sup>88</sup> Part 2 answer follows: While we still believe our answer to para 2 contained in our CFBX 16087 is correct, we are approaching the Chinese Government to get a direct refusal on certain "arsenal" supplies which might be of peculiar interest to China. However, the big percentage of the supplies involved are to be sold in India. Part 3 answer fol-

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<sup>87</sup> Not printed.

<sup>88</sup> Letter of November 14 not found in Department files. All other letters not printed.



lows: Present status of disposal of East China surplus is as follows: (a) Soong has no objection to our mandatory provision for preference to other U. S. Agencies and UNRRA. (b) Soong has agreed to sales for dollars to foreign, that is, non-Chinese, non-profit organizations such as religious, educational and philanthropic organizations, subject to their paying normal customs duties, if any. (c) We are negotiating with China for right to sell for dollars to American Nationals and corporations doing bona fide business in China and Chinese Nationals and corporations. (d) We have discussed with the Chinese Government representative the formation of a Chinese commission to purchase residual surplus property in bulk sales by packages. From your part 3 we understand that authorization given Howard by Mister White on 24 October applies to surplus property located in East China as of approximately V-J Day. Request same authority for disposal of property moved into China since V-J Day since it is impracticable to distinguish between these two groups of property. New and related subject: Now that West China surplus property has been disposed of by Army, we will help Treasury attempt to negotiate offset agreement according to original Treasury Department instructions with China to cover balance of surplus property in China.

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893.24/12-745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 7, 1945—2 p. m.

[Received 3 : 53 p. m.]

2116. For Secretary [of] State and Secretary [of] Treasury. Property of Army in west China.

1. ReEmbtel 2053, November 28. On morning of November 29 meeting of representatives of State, Treasury, FLC (Foreign Liquidation Commission) and Army was held with Gen. Wedemeyer. Gen. Wedemeyer indicated that in view of the urgent military necessity of disposing of property in west China he did not feel that he could make a settlement contingent on acceptance by the Chinese of proviso in 4 (c) of Embtel November 28, although, of course, he would ask for it from Dr. Soong in the first instance and from the Generalissimo in the second. State, Treasury and FLC representatives opposed a settlement without this proviso but conceded that final decision in this instance would be Gen. Wedemeyer's.

2. Gen. Wedemeyer saw Dr. Soong later and Dr. Soong refused to accept the proviso, although he offered a paper compromise which is quoted below. Gen. Wedemeyer could make no progress with General-

issimo on subject of proviso and he signed a contract with Dr. Soong on the evening of November 29, a copy of which is being forwarded by mail.<sup>89</sup>

3. The following is gist of contract :

*a.* China acquires U. S. Army property in west China for U. S. \$25 million and CNC \$5,160,000,000, the latter to be deducted from total of CN dollar advances made by China to the U. S. Of the former U. S. \$5 million will be paid in cash and "U. S. \$20 million will be payable in accordance with the terms of a contract to be negotiated between China and U. S. Treasury Dept which contract will provide for (1) principal to be paid in 30 equal annual installments. (2). Interest at 2 $\frac{3}{8}$ %. (3). Any surplus of settlement of U. S. indebtedness to China for military expenditures in excess of China's cash down payments for surplus property of U. S. will thereupon be used by China for purchase of property in U. S. or will be applied to liquidation of the unpaid balance of this contract".

*b.* The contract supersedes the October 25 contract.<sup>90</sup>

*c.* It is the understanding of the U. S. and China that this agreement does not set a precedent in connection with disposal of any other U. S. property to China."

4. It is the consensus of State, FLC and Treasury representatives' opinion that compromise in (3) *a-3* above is fundamentally a paper one and constitutes a bargaining victory for China. There [*They?*] are determined however to make every effort to have the offset principle of 4-*c* of Embassy's telegram 2053 inserted in future contracts on sales of surplus property to Chinese Govt.

ROBERTSON

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893.5151/12-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 8, 1945—2 p. m.

[Received December 9—2:20 p. m.]

2126. For Secretary of the Treasury from Adler. In my opinion the Treasury has received a reasonably satisfactory reply to Secretary Vinson's request to Dr. Soong for an arrangement to meet the needs of American businessmen. Reurtel 1930, December 3. In conversation with Minister of Finance this morning he repeated assurance given me on November 9 and reported in concluding paragraph of Emtel 1955 of November 10. With the going into effect of general

<sup>89</sup> Not printed; the agreement was signed on behalf of the United States by Brig. Gen. George Olmsted.

<sup>90</sup> Not printed; a copy is found among the records of Lend-Lease in the file marked "OFLC-Manila—John K. Howard". The agreement was signed by Brig. Gen. Olmsted and Dr. T. V. Soong.

license 94,<sup>91</sup> there would appear to be no need for any other immediate action on this matter. [Adler.]

ROBERTSON

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893.24/12-1945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 19, 1945—9 a. m.

[Received 3 : 35 p. m.]

2178. For Secretary of the Treasury from Adler. Surplus property.

1. On last occasion on which I saw Minister of Finance I again raised the question of offsetting Chinese obligations on future surplus property acquisitions against our obligations to China for U. S. Army expenditures in China. Minister again replied that he would take up the matter with Dr. Soong.

2. It is to be expected that the Chinese when they make future purchases of surplus property, will try to get the same terms of payment [as] in their purchase of the West China property described in Emtel 2116, of Dec. 7. It is recommended that as far as FLC disposals of surplus property are concerned, we stick to the position that any excess of settlement of U. S. indebtedness to China for army expenditures in China over China's cash down payments for surplus property she acquires be applied to the immediate offsetting of her debt on such surplus property. Embassy and FLC Commissioner<sup>92</sup> fully concur in this recommendation. [Adler.]

ROBERTSON

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893.51/12-2145 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 21, 1945—6 p. m.

2039. In accordance with President's Directive,<sup>93</sup> Treas[ury] has stopped all financial negotiations with the Chinese Government. (For Adler from the Secretary of the Treas.)

You are instructed, therefore, to cease, until further notice, negotiations with the Chinese Govt on Treasury's proposal to apply the yuan proceeds of surplus property against the Army's yuan obligations to China.

ACHESON

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<sup>91</sup> 10 *Federal Register* 14814.

<sup>92</sup> Thomas B. McCabe.

<sup>93</sup> Quoted in telegram No. 2022, December 19, 7 p. m., to the Chargé in China, p. 1376.

893.24FLC/12-2245

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson*<sup>94</sup>

WASHINGTON, 22 December 1945.

War 89896. In view of State Dept. cable 31 [2022] Dec. 19th,<sup>95</sup> please keep General Marshall<sup>96</sup> fully informed on any conversation being carried on with Chinese concerning Lend-Lease or surplus disposal.

893.51/12-2445 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 24, 1945—11 a. m.

2057. For General Marshall. In accordance with our conversation of December 14,<sup>97</sup> you will receive a series of telegrams on:

- a. Settlement of war accounts including sales of surplus property, lend-lease settlement, settlement of yuan advances from the Chinese Government and eventual settlement of the \$500 million loan account.
- b. Consideration affecting interim and long-term credits for reconstruction and development.
- c. The furnishing of coastal and river ships.
- d. The furnishing of transport planes.
- e. The proposed treaty of friendship, commerce and navigation.
- f. UNRRA programs.

The above topics are of course in addition to the general political aims of your mission. The present message contains certain information and expresses the views of the Department with regard to category *b*. Matters relating primarily to further financial assistance to China will generally require review by the National Advisory Council on International Monetary and Financial Problems before they can be regarded as the position of this Government. They will be taken up by the Council in the immediate future. The Council was established by Congress to coordinate the policy of agencies of the Government with regard to foreign loans and financial transactions.

Your reaction to any aspects of this message will be most useful.

(1) The Chinese Government has requested ExImBank to advance an immediate credit of \$560 million toward a 3-year program of

<sup>94</sup> Deputy Field Commissioner, China Theater, Office of the Foreign Liquidation Commissioner (OFLC). The OFLC was established in the Department of State in October 1945 with responsibility for the disposition of United States surplus property in foreign areas, Lend-Lease matters, and liberated area requirements.

<sup>95</sup> *Post*, p. 1376.

<sup>96</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>97</sup> For a summary of the conversation, see "Notes on Meeting with the President and the Under Secretary of State", December 14, prepared by General Marshall, p. 770.

reconstruction requiring about \$2 billion. The Chinese allege that certain U. S. officials have promised the former amount, but neither the Department, the ExImBank, nor the National Advisory Council on International Monetary and Financial Problems recognize such a commitment.

(2) For your general information the existing Chinese financial situation may be described as follows:

(a) Present holdings of the Chinese Government are estimated at approximately \$862,000,000. This estimate includes gold in United States, 79; dollar balances and other short-term assets in United States, 668; amount intended by China for textile purchases, 15; gold in China, 100. Private Chinese holdings of approximately \$433 million include New York balances of 160 held by the Chinese Government as reserve against its outstanding dollar bonds and savings certificates; estimated gold in China, 60; private Chinese balances in United States, 90; securities and other property in United States, 98; estimated United States currency in China, 25. Adler can supplement above from current Treasury telegrams.

Treasury in the past has estimated that no more than approximately \$500 million dollars are needed by Chinese Government as a reserve for the future stabilization of a new currency. It appears, therefore, that Chinese Government, without reference to private holdings, has more than \$350 million in gold or dollar balances in excess of probable currency stabilization requirements. This estimate excludes additional funds to be derived from United States settlement of yuan advances during 1945, and costs to China of acquiring lend-lease or surplus property.

(b) In addition to the foregoing, prospective UNRRA contribution to Chinese relief and rehabilitation should be noted. UNRRA now has under consideration \$560 million of materials for delivery by March 15, 1947. It is now determining allocations for the next 6 months, some small part of which is going forward.

(c) Credits now available: the Eximbank has outstanding 2 lines of credit, one to the Central Bank of China and one to the Universal Trading Corporation,<sup>98</sup> for the purchase of agricultural and industrial products. Unused portions of these credits amount to more than \$12 million. These credits expire December 31, 1945. The Bank would ordinarily renew credits of this character on request, and will do so in this case unless you should recommend delay.

The Bank is also committed to a credit of \$16 million to Yungli Chemical Industries for the purchase of equipment and services. This credit would become effective only upon guarantee by Chinese Government or Government bank. Such guarantee appears not to have been given. Yungli is a private company in which Government is understood to be financially interested.

(3) The situation described in (2) above indicates that China herself is in a position to meet costs of imports necessary in the immedi-

<sup>98</sup> An official Chinese agency incorporated under the laws of the State of New York on October 18, 1938. Its chief functions were to market tung oil and other Chinese products in the United States and to act as purchasing agency in the United States against Export-Import credits to China.

ate future, particularly if account is taken of UNRRA assistance. She is not however, in a strong enough position to relieve her of the longer run necessity of foreign financial assistance.

(4) The Department believes that upon your recommendation prompt action can be taken by the Eximbank to make the following credits immediately available:

(a) A \$30 million cotton credit repayable over 24 months at 2½% interest. The contract has been agreed to by the Chinese and awaits approval of directors of Bank.

(b) A credit of \$30 to \$50 million at long term to cover procurement in the U. S. of such urgently needed transportation and telecommunications equipment as is not available as surplus. This credit is not ready for approval by directors, but could be completed soon. (Separate telegrams will be sent you in near future regarding acquisition by China of ships and aircraft as surplus property.)

(c) You will observe that credits just mentioned are exclusive of credits now available described in 2(c) above.

(5) The United States believes that the reconstruction and industrial development of China is in the best interests of world peace and prosperity. While such reconstruction and development will necessitate substantial additional credits from this Government and from the International Bank, it is clear that such credits need not be advanced until political and economic developments are such as to give reasonable assurance that the credits would serve a purpose useful to both China and the United States. It is believed, therefore, that loans other than those referred to in paragraph (4) above, which you may wish to recommend for bargaining purposes, should be preceded by appropriate Chinese actions or assurances in the following fields:

(a) Political improvements along lines already discussed with you.

(b) The prompt negotiation of a treaty of friendship and commerce. A draft treaty was given the Chinese Government in February 1945.<sup>99</sup> China has agreed to begin negotiations in January 1946. Continuing negotiations without prospect of early conclusion would be harmful to the economic interests of both countries.

(c) The retention of completely unrealistic official rates of exchange has compelled foreign companies and individuals to resort to the black market. This practice is highly undesirable even though it is followed with the full knowledge and the tacit acquiescence of Chinese authorities. The Chinese Government should provide either for the transfer of funds through official channels at reasonable rates, or give the Embassy an adequate waiver of penalties against such individuals or companies.

(d) Economic progress and the beneficial use of foreign credits are contingent upon currency stabilization at the earliest practicable

<sup>99</sup> The draft treaty was presented to the Chinese Government on April 2; see telegram No. 567, April 3, 2 p. m., from the Chargé in China, p. 1314.

date. While it may not be possible to effect such stabilization for some months to come, it is essential that China, in the near future, determine a satisfactory plan for stabilization and earmark a sufficient sum of foreign exchange to implement that program.

(6) The basic economic objectives of the United States are the expansion of trade, investment and employment. The attainment of these ultimate objectives and of a satisfactory basis for continuing U. S. and international public and private investment in China, as well as this Government's desire that as wide a field for private trade and investment as practicable be speedily opened, presupposes Chinese action in the following fields:

(a) Commercial policy, including the avoidance of discriminatory measures.

(b) Tariff policy adapted to China's resources and markets rather than to the attainment of a self-sufficient economy.

(c) Clarification of the conditions under which foreign companies may operate in China and adjustment of those conditions to such as are commonly imposed by other commercial countries. See Deptel 1932, December 4, 1 p. m.<sup>1</sup>

(d) Admission of foreign companies to various fields of business enterprise on a basis of most-favored-nation treatment, adequate protection of property rights, and assurance against discrimination.

(e) Clarification and extension of the field of private trade and enterprise, both Chinese and foreign.

(f) Avoidance of unduly burdensome effects on existing enterprises, whether Chinese or foreign, in planning and executing projects for the development of China's economy.

The attitude of the United States with respect to the timing and magnitude of U. S. Government and International Bank credits will necessarily be related to the progress made by the Chinese Government in the above and related matters.

(7) For your information, China has been invited, as one of selected countries (Depcirtel, Dec. 7<sup>2</sup>) to participate in preliminary meeting preparatory to proposed International Conference on Trade and Employment, and urged to reply by December 31, 1945. It is assumed that China will cooperate in the proposed trade and employment program. Her doing so will be an important consideration in our attitude toward long-range financial assistance. Department suggests, however, not unduly emphasizing such participation in sense of distinct *quid pro quo* for financial assistance lest China assume initiative and insist on understanding regarding financial assistance as prerequisite to cooperation in commercial policy program.

ACHESON

<sup>1</sup> *Post*, p. 1251.

<sup>2</sup> Not printed.

893.515/12-2845 : Telegram

*The Vice Consul at Peiping (Freeman) to the Secretary of State*

PEIPING, December 28, 1945.

[Received December 29—7 a. m.]

41. According to a notice published here today, conversion of puppet FRB notes into CNC or *fapi* in accordance with the 5 to 1 rate will begin here at the Central Bank of China on January 4 and continue until April 13th, after which date the FRB notes will become invalid.<sup>3</sup>

Sent to Chungking, repeated to Dept.

[FREEMAN]

893.51/12-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 29, 1945—10 a. m.

[Received 2:44 p. m.]

2241. From General Marshall. Reur 2057, December 24.

1. It is recommended that:

*a.* ExImBank renew credits of \$12,000,000 to Central Bank and Universal Trading Corporation on request. Embassy has been informed by Yungli Company that Chinese Govt has guaranteed its credit in which case there is also no objection to ExImBank fulfilling its commitment.

*b.* It is also recommended that action be taken to make credits mentioned in your 4 *a* and *b* available.

Our general bargaining position is such that the above actions will not significantly prejudice the carrying out of policy.

2. With respect to Chinese request for \$560,000,000 ExImBank loan and any other financial assistance through international (Fund and) Bank or direct from the U. S., these must certainly not be offered, negotiated or advanced until such time as I am able to indicate my satisfaction with progress with the political situation in China in consonance with the President's directive.

The following are comments in the economic and financial consideration you raise:

*a.* With respect to the draft treaty of friendship and commerce, we have right to expect prompt initiation of negotiations apart from question of financial assistance to China as she is committed to continue [*commence?*] negotiations 6 months after termination of hostilities. Whether China is stalling or not will be revealed in course of

<sup>3</sup> This information, differing somewhat in detail, was reported to the Department by the Embassy in telegram No. 2055, November 28, 11 a. m. (893.51/11-2845).



negotiations. It is agreed, however, that granting of ExImBank \$560,000,000 loan should also be contingent among other things upon conclusion of commercial treaty which provides satisfactory legal framework for mutually advantageous trade and investment relations.

*b.* We concur in your 5 *a* [*c?*] and *d* relating to exchange and stabilization fund respectively.

1. Chinese economic recovery as well as U. S. financial and commercial relations with China demands early action by Chinese authorities to obtain end to present absurd situation. Probably wisest course would be for China to announce a reasonable exchange rate subject to periodic revision under a loose exchange control pending ultimate currency stabilization so that foreign trade can get started again and progress can be made in making the transition from war to peace-time conditions. However, it is felt by Embassy—and I understand Treasury concurs—while insisting on a realistic rate it is not advisable for us to suggest any specific rate which China should establish. In any case pending the establishment of reasonable rates China should be requested to give Embassy adequate waiver. Embassy feels that there will be little difficulty in getting China to accede to this request.

2. It is also agreed that China should again be asked to earmark approximately \$500,000,000 for currency stabilization and to start working immediately on determination of satisfactory plan for currency stabilization to be effected at earliest practicable date. With respect to former, I understand that Soong has not yet answered proposal made by U. S. in May 1945.<sup>4</sup> With respect to latter, if sufficient general progress is being made at the time I raise the question with the Chinese, it may be advisable to inform them that the assistance in the form of high level technical advice of the International Fund and/or of the U. S. Govt will be available. Would appreciate your comment on this suggestion and particularly on whether the technical aid of the Fund or the U. S. (or both) would be preferable.

*c.* With reference to the general principles stated in your 6, the difficulty lies in their concrete implementation and in deciding at what point China has given indication of having gone too far in discriminatory, monopolistic and other practices.

1. Your 6 *a*, *b*, *c*, and *d* will to a great extent be covered in negotiation on treaty of friendship and commerce and/or in proposed forthcoming international conference on trade and employment.

2. With respect to your 6 *e*, while U.S. might not approve, it does not seem reasonable that we could object if for instance China carries out a program of nationalization of basic transportation systems. But we should object to continuation beyond emergency post-war period of Govt monopolies in certain economic spheres such as operations carried on by Universal Trading Corporation and the like.

3. With respect to your 6 *f*, the attainment of U. S. objectives by commercial policy would be facilitated by the following. If and when we decide to make a large ExImBank loan to China, it should

<sup>4</sup>To establish a Currency Stabilization Fund of \$500,000,000. This proposal was set forth in a memorandum of May 8 by the Secretary of the Treasury to the Chinese Minister for Foreign Affairs, p. 1081.

take the form not of a credit to be used by Chinese Govt at its discretion but of a bulk of credit, each specific item of which would be approved on its merits. Such procedure would help in the attainment not only of 6 *f* but also of 6 *e*.

3. To recapitulate:

*a.* It is recommended that prompt action be taken to grant credits specified in paragraph 1 above.

*b.* It is felt that it is desirable to press here now for your 5 *b*, *c* and did [*d*?] without offering any specific *quid pro quo* but that any commitment regarding ExImBank \$560,000,000 loan or other additional financial assistance be made contingent among other things on satisfactory action by China on these points. [Marshall.]

ROBERTSON

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893.85/12-2945 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 29, 1945—3 p. m.

2079. For General Marshall from Davis<sup>5</sup> (Personal).

1. Information re cotton, small ships referred to in your Radio 260805Z, dated 26 December<sup>6</sup> to AGWar,<sup>7</sup> is subject.

2. Negotiations in general with Chinese representatives with respect to extension of any type of economic assistance to China have been terminated in Washington except as you may otherwise recommend. This termination was accomplished by letter from the President to governmental agencies named in State Department cable to AmEmbassy, Chungking, number 2022, dated 19 December.<sup>7a</sup> This cable also contained text of White House directive .

3. *a.* Situation re negotiations for delivery to China of U. S. cotton. As stated Paragraph 4, State Department cable number 2057, dated 24 December to you from Acheson, a contract, covering extension of 30 million dollar credit repayable over 24 months at two and one-half percent interest for the purpose of purchasing cotton, has been agreed to by the Chinese. Negotiations on U. S. side are complete except for formal approval of the arrangement by Board of Directors, ExImBank. Pursuant to President's letter terminating negotiations, further action by ExImBank with Chinese awaits your recommendation. Meanwhile, Board ExImBank will be asked to formally approve credit so that if you approve, arrangements can be consummated promptly with Chinese. Cotton is available if funds are approved.

<sup>5</sup> Col. James C. Davis, representative of General Marshall in Washington.

<sup>6</sup> Not found in Department files.

<sup>7</sup> Adjutant General, War Department.

<sup>7a</sup> *Post*, p. 1376.

*b.* In addition to above 30 million dollar credit, ExImBank now has outstanding unused line of credit to Chinese amounting to more than 12 million dollars. These credits while available may be used for purchase of cotton if Chinese so elect, and use of funds for this purpose is approved by ExImBank. These credits, however, expire 31 December 1945. This particular line of credit has been renewed annually in the past so long as any portion thereof remained unexpended. ExImBank would ordinarily renew this credit as matter of routine. In light of President's directive on Chinese negotiations, renewal will be made only with your approval, which is recommended be given.

*c.* Prior to suspension of negotiations, Chinese were represented by Tsu-yee Pei, General Manager of the Bank of China, as representative, T. V. Soong. Chinese Embassy advises Pei returned China within last week.

4. Situation with respect transfer of ships.

*a.* Two groups of ships have been the subject of negotiations. One group consists of ten ships of approximately 2800 dead-weight tons each. The other group consists of 15 ships approximately 4,000 dead-weight tons each.

*b.* The 10 ships approximately 2800 tons dead-weight each were offered for competitive bidding by the Maritime Commission. The only bidder was China. The Chinese bid has been accepted and the ships awarded by the Maritime Commission to the Chinese Government at a price of approximately \$400,000 apiece. These ships are presently located on the Pacific Coast of the United States.

*c.* Of the 15 ships of approximately 4,000 ton dead-weight each, 10 are owned by private owners in the United States, and 5 are owned by the United States Government.

*d.* Negotiations with respect to the 10 ships owned privately have been conducted by War Shipping Administration and the Maritime Commission with Chinese Supply Commission, of which S. C. Wang is Chairman. Terms of sale of these 10 ships have been agreed with following exceptions:

(1) Chinese arrangements to finance purchase have not been completed. Current Chinese financial situation is discussed in State Department cable 2057 to you from Acheson. Believed here that Chinese, if they so elect, can finance purchase out of existing assets. However, Chinese may desire to include cost of these ships in proposed ExImBank loan referred to Paragraph 4*b*, State Department cable 2057. It is not necessary, however, that this loan of ExImBank be approved in order to enable Chinese to make purchase.

(2) Maritime Commission has not yet formally approved sale. In view President's letter respect Chinese negotiations, Maritime Commission has delayed consideration originally scheduled for 29 December to 3 January 1946, to permit you to express your views. Recommend you approve sale.

(3) Some of these ships are armed. War Shipping Administration is arranging with Army and Navy to accomplish delivery and disarmament if sale approved.

*e.* The 5 ships owned by United States Government can legally be transferred to China either through sale on competitive bids or by transfer under the Lend Lease Act. Lend Lease transfer may legally be accomplished either against immediate cash reimbursement or against deferred payments under Section 3c, Lend Lease Act.<sup>8</sup> In any case Presidential approval will be required. Admiral Land requires Presidential approval if sale be made on competitive bids because of previous commitments he has made that shipping of this type will not be sold to foreign governments but will merely be chartered. Further objection to this procedure flows from fact that Chinese may not be successful in bidding. Lend Lease authorities desire Presidential approval before any transfer under any provision of Lend Lease Act because of President's announced termination of Lend Lease assistance. State Department view is that if transfer is to be accomplished under Lend Lease, it should be against immediate cash reimbursement rather than under payment terms under Section 3c of the Act. This by reason that as matter of policy, similar extension of Lend Lease credit to other nations not now available. If you desire transfer these 5 ships to Chinese be accomplished, recommend you notify your approval Lend Lease transfer against cash reimbursement.

*f.* No formal negotiations for transfer 5 ships Government-owned to Chinese have taken place because of lack of decision as to ability to accomplish transfer or procedure therefor. Informal discussions have been held by War Shipping Administration with representative Chinese Supply Commission. No such discussions are currently in progress.

*New Subject:*

Refer your CLO 1285, dated 26 December to AGWar.<sup>9</sup> Direct reply is being made by War Department. No outright transfer to Chinese of 6 Liberty ships is under discussion here; therefore, it has been assumed you refer to 6 Liberty ships involved in program discussed between General Wedemeyer and General MacArthur, implementation of which is subject your approval. However, authority has been issued to transfer these 6 ships from War Shipping Administration to General MacArthur. [Davis.]

ACHESON

<sup>8</sup> Approved March 11, 1941; 55 Stat. 31, 32.

<sup>9</sup> The last paragraph of this message stated: "I do not desire that transfer to the Chinese of 6 Liberty ships which was under discussion when I departed Washington be delayed by requesting my approval before final consummation. This transfer has my approval."

893.51/12-2445: Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 29, 1945—9 p. m.

2089. For General Marshall. The Department would summarize as follows its program of financial assistance to China (ReDeptel 2057, December 24):

A) Items which might be available to you for bargaining purposes in very near future:

(1) ExImBank short-term cotton credit of \$30 million. This will be submitted to the Bank's Board of Directors on January 3 for formal action. The Bank will not discuss the matter with Chinese until you so direct.

(2) Long-term ExImBank credit of \$30 to \$50 million for procurement in the United States of such urgently needed transportation and telecommunications equipment as is not available as surplus.

(3) Disposal to China on credit terms as surplus transport planes, coastal and river shipping (separate telegrams will be sent to you on these items as soon as details are available.)

B) Broader and longer term financial assistance—additional credits to be made when political and economic developments are such as would give reasonable assurance that the credit would serve a purpose useful to both China and United States. The general economic factors which we would have in mind are referred to in Deptel 2057. As indicated in that telegram Department recommends a flexible approach in which the magnitude and timing of credits would be related to the progressive accomplishment of economic aims.

In order that funds will be available when conditions are such that it is deemed advisable to extend additional credits to China the Department is recommending that \$500 million of the ExImBank funds be tentatively earmarked for China.

As already indicated to you the short-term cotton credit requires only formal action by the Board of Directors of the ExImBank. The remainder of the program requires general policy approval by the National Advisory Council on International Monetary and Financial Problems which consists of the Secretary of Treasury, Chairman, the Secretaries of State and Commerce, and the Chairmen of the ExImBank and of the Federal Reserve System. The Department proposes to submit the matter to NAC during week of January 7. Specific ExImBank credits within a general policy directive of NAC will of course require individual action by the Board of Directors of ExImBank.

ACHESON

893.51/1-246 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 2, 1946—8 a. m.

[Received 8:42 p. m.]

2. To Acheson for Davis from Marshall. Have approved re Para 3 *a* of your 2079, 31 [29] December, the ExIm loan of 30 millions for cotton purchase and have approved extension of the unused credit of 12 millions recommended in your 3 *b* (see my State 2241, 29 December). Re sale by Maritime Commission of 10 ships (your 3 *d* (2)) approve sale and re your 3 *e* approve Lend-Lease transfer of 5 ships owned by U. S. Govt against cash reimbursement. [Marshall.]

ROBERTSON

893.51/1-246 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 2, 1946—noon.

[Received 4:05 p. m.]

6. From Marshall personal attention Acheson. Have just noted your 2089<sup>9a</sup> which deals in part with Export-Import Bank short-term cotton credit of \$30,000,000 and the 30 to 50 million dollar loan in part A-2 of your message. I personally approved these loans in previous message No. 2241 of Dec 29, and again this morning in reply to Deptel 2079, Dec 31 [29] the granting of the cotton loan to China without further reference to me. I do not desire to use these loans for bargaining purposes with the Chinese. I have no objections, in fact I desire all these loans be discussed with the Chinese and pushed to early conclusion. Please ensure that matters which I have already approved are not referred to me again with consequent loss of time. [Marshall]

ROBERTSON

893.51/12-2945 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, January 4, 1946—4 p. m.

17. For General Marshall. Paragraph numbers refer to Urtel 2241, December 29.

1. The Department notes with satisfaction your recommendations and has communicated them to ExImBank.

<sup>9a</sup> Dated December 29, 9 p. m., p. 1203.

2. ExImBank has also been advised that pending your recommendation no further negotiations are to be had on the Chinese request for 560 million credit.

2. *a.* Your recommendation that large ExImBank credit should be contingent among other things upon conclusion of satisfactory commercial treaty goes somewhat further than Deptel 2057, December 24, contemplated. Further comment will be sent you<sup>10</sup> after discussion with other interested divisions of Department.

2. *b.* 1 & 2. Reply to your suggestions will follow further discussion in Department and with Treasury. Negotiation on these and other matters will be through you.

2. *c.* Department believes problems you mention can best be resolved in connection with approval of specific projects under large line of credit. Magnitude of such credit and timing of utilization for specific projects will be reasonably related to China's progress in matters under reference.

2. *c.* 2. Department agrees with your comment but strongly believes present tendency of Chinese Government is unduly restrictive of private trade and enterprise.

2. *c.* 3. Department concurs in policy of approval of each specific item or project for use of portions of larger credit. This has been the usual practice of ExImBank.

BYRNES

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<sup>10</sup> Apparently no further comment was sent.

REPRESENTATIONS BY THE UNITED STATES REGARDING REGISTRATION OF AMERICAN BUSINESS FIRMS IN CHINA; EFFORTS TO PERSUADE THE CHINESE GOVERNMENT TO MODIFY PROVISIONS OF PROPOSED COMPANY LAW <sup>1</sup>

S93.5034/1-1245: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 12, 1945—4 p. m.

[Received January 12—11:20 a. m.]

50. Embassy believes article on registration of auto companies in China December 9 issue *Foreign Commerce Weekly* substantially correct, but over-simplified. Suggest, with Helmick's <sup>2</sup> concurrence, that Department advise Commerce to be cautious in advising American companies to register pending hoped-for clarification Chinese company law on subject of qualification and admission of foreign corporations. Will report further.

HURLEY

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S93.5034 Registration 1-845

*The Secretary of State to the Ambassador in China (Hurley)*

No. 14

WASHINGTON, January 23, 1945.

The Secretary of State refers to the Embassy's telegram no. 1235 of July 18, 1944 <sup>3</sup> in which it was suggested that advantage be taken of the presence of Dr. H. H. Kung <sup>4</sup> in the United States to bring to his attention the views of American business interests and the dissatisfaction felt with regard to certain Chinese laws and regulations. This suggestion was conveyed informally to the several business organizations interested in China trade developments with the result that a joint memorandum entitled "American Approach to the Development of China-American Trade and Industry" has been presented to Dr. Kung by the National Foreign Trade Council and the

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<sup>1</sup> For previous documentation on the subject, see *Foreign Relations*, 1944, vol. VI, pp. 982 ff.

<sup>2</sup> Judge Milton J. Helmick, sent to China in November 1944 by the Department of State to survey the effects of Chinese laws, regulations, and courts on American firms having commercial interests in that country.

<sup>3</sup> *Foreign Relations*, 1944, vol. VI, p. 994.

<sup>4</sup> Vice-President of the Chinese Executive Yuan.



China-America Council of Commerce and Industry. A copy of the memorandum<sup>5</sup> is enclosed under cover of a letter addressed to the Ambassador by W. Gibson Carey, Jr.,<sup>6</sup> President, China-America Council of Commerce and Industry, Incorporated.

The memorandum sets forth some of the conditions which it is thought will permit the growth of trade and encourage the inflow of capital to China. The view is expressed that it would be much sounder to look to private venture capital for financing China's reconstruction and development program than to rely largely or wholly upon intergovernmental loans; that consequently as large an area of operation as possible should be reserved for private enterprise, the development of mineral resources, transportation, communications and utilities being mentioned in this connection. In the interest of encouraging the flow of American capital to China, it is urged that American banks should be permitted to operate as freely as possible; that Chinese laws and regulations with regard to corporations should be simplified, particularly in the matter of registration of firms; and that comprehensive legislation on the subject of patents and copyrights should be adopted in line with progress already made in the field of trademark legislation. The memorandum further suggests that the basis for taxation of foreign enterprise should be more clearly defined by domestic laws; that tariffs and other trade barriers should be reduced as much as possible; and that China should join with other nations in support of the objectives of Article VII of the Mutual Aid Agreement.<sup>7</sup>

In general the memorandum represents a serious effort on the part of responsible committees to present a carefully thought out résumé of American business thinking on the future of Sino-American trade relations.

It will be noted that Mr. Carey states in his letter that it is anticipated the memorandum will serve as background for conversations which the China-America Council is conducting with Chinese leaders in the fields of Finance and Investment, Heavy and Light Industry, Imports and Exports, Transportation, Telecommunications and Public Utilities, Policy-making and Legal Problems. Through these discussions, which are of an informal and exploratory nature, the China-America Council confidently expects to develop constructive measures for the advancement of American and Chinese business.

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<sup>5</sup> Not printed; Embassy's despatch No. 305, April 17 (611.9331/4-1745), states that copies of the memorandum were transmitted to the Chinese Minister for Foreign Affairs (Soong) and other key Chinese officials.

<sup>6</sup> Not found attached in Department files.

<sup>7</sup> The Mutual Aid Agreement with China was signed at Washington, June 2, 1942, Department of State Executive Agreement Series No. 251, or 56 Stat. (pt. 2) 1494.

893.5034 Registration/2-345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, February 3, 1945—8 p. m.

186. 1. With reference to the question of the registration of American firms under Chinese laws and regulations (ReEmbs 1494, November 16, 6 p. m.<sup>8</sup> and 1959, December 6, 10 a. m.<sup>9</sup>) Department has received a memorandum<sup>10</sup> from the National Foreign Trade Council raising certain points for further clarification and making specific suggestions in regard to the establishment of a simplified registration procedure.

2. The following is a summary of the Council's memorandum :

(a) Under Anglo-American theory of law corporations desiring to do business in and with China would be divided into two categories, namely corporations organized under the laws of China and foreign corporations organized under laws of a country other than China. The location of the head office would not be the determining factor as is apparently the case under Chinese regulations. Council understands from Dr. Wang's memorandum<sup>11</sup> that only Article 23 of Laws for Enforcement of Company Law and Articles 13, 14, 15, 42 and 43 of Regulations Governing Registration of Companies apply to branches in China of corporations whose head offices are located outside of China. To clarify situation Council suggests that Chinese laws be amended so that only the above-mentioned six articles shall apply to corporations organized under laws of country other than China regardless of where head office is located.

(b) Council points out that in United States any corporation organized under the laws of China can make one registration in a state and thereby is entitled to open as many branch offices in that state as it may deem desirable. On the other hand, it would appear under Chinese laws and regulations that an American corporation desiring to carry on business in China would be required to register separately each one of its branches in a province, the registration in some cases being effected with the provincial authorities, in others with the municipal authorities. Council suggests that regulations be amended to provide that one registration effected in a province by a foreign corporation would permit such corporation to open and operate in that province as many branch offices as it might deem desirable; this would constitute substantially reciprocal treatment as between the

<sup>8</sup> *Foreign Relations*, 1944, vol. vi, p. 1005.

<sup>9</sup> Not printed.

<sup>10</sup> This memorandum, dated February 9, was an enclosure to a letter of the same date sent by the National Foreign Trade Council to Edwin F. Stanton, Deputy Director of the Office of Far Eastern Affairs (893.5034 Registration/2-1745) ; neither printed. The letter made it clear that drafts of the memorandum had been discussed with the Department ; and it was probably on the basis of the last draft that telegram No. 186 was sent.

<sup>11</sup> Wang (Wong) Wen-hao was Chinese Minister for Economic Affairs ; the memorandum in question, dated June 23, 1944, was sent to the Ambassador in China (Gauss), who transmitted a copy to the Department in his despatch No. 2752, July 8, 1944, *Foreign Relations*, 1944, vol. vi, p. 991.

United States and China with respect to the number of registrations required in a state or province.

(c) Under Anglo-American theory of law a corporation acquires qualifications of juristic person at time of incorporation. However, in view of provisions of Article 30 of *Civil Code*, Council inquires whether registration of an American corporation in China means that such corporation is in fact reincorporated under Chinese law or does it mean that American corporation merely acquires right to carry on business in China. A corollary question is whether each branch of an American corporation which registers in China becomes a separate juristic person.

(d) Council also suggests use of simplified application form calling for such information as name of corporation, place and date of incorporation, nature of business, location of branches, name and address of branch manager, total amount of capital of corporation, amount of capital of branch (if separate capital for branch has been specified), remarks.

(e) Council points out it does not believe that American consular officers would be willing to certify matters set forth in applications for registration as required by Article 43.

3. It is Department's understanding that Judge Helmick has been discussing registration regulations with concerned Chinese officials. It is therefore suggested that the Council's suggestions be made available to Judge Helmick in the belief that they may be of assistance and value to him in these discussions. Department would appreciate brief report by telegram concerning any recent developments of importance.

GREW

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893.5034 Registration/2-1545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, February 15, 1945—1 p. m.

[Received February 15—11:48 a. m.]

221. Information from National Foreign Trade Council (ReDeptel 186, February 3, 8 p. m.) arrived after Judge Helmick had completed drawing up comprehensive suggestions for modification of legislation governing registration in China of foreign corporations at request of and for reference to appropriate Chinese Government authorities. All important points in Council's memorandum appear to have been covered by Helmick who based his suggestions on New York State laws for foreign corporations.

Generalissimo<sup>12</sup> February 10 informed Helmick he approved suggestions in principle and said he was referring them to legal advisers

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<sup>12</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

for study. Foreign Affairs Minister<sup>13</sup> and other influential Chinese leaders, including Dr. Sun Fo,<sup>14</sup> had previously expressed approval. Helmick, who desires to report to Department in person on this matter and who is now about to return to U. S., is optimistic over possibility of adoption of his suggestions entirely or in majority.

HURLEY

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893.5034 Registration/4-2045 : Telegram

*The Chargé in China (Briggs) to the Secretary of State*

CHUNGKING, April 20, 1945—8 a. m.

[Received April 21—10:38 a. m.]

648. Representative of three American companies in Chungking called at Embassy last week to discuss the registration of foreign companies (ReEmbstel 221, February 15, 1 p. m. and previous correspondence) and to express some apprehension lest the new laws and regulations not be promulgated prior to June 30 next, the present deadline for filing registration applications and submitting documents. At their instance I sought an interview with the Minister of Economic Affairs who informed me as follows:

1. Although the Chinese Government is actively engaged in the study of registration in the premises including drafts prepared by Judge Helmick, Wong said it is doubtful whether legislation will be enacted prior to June 30.

2. The Chinese Government is not prepared to grant a further extension of time for filing applications.

3. The Government therefore desires that foreign firms effect registration under existing legislation. Wong indicated however that the Government would not insist on compliance with all provisions of existing legislation. He mentioned for example that lists of shareholders would not be required, but in reply to a suggestion that it would be helpful to have outlined detailed procedure, he referred to his memorandum to the Embassy on June 23, 1944 (translation forwarded as enclosure to despatch 2752, July 8, 1944<sup>15</sup>).

At a further meeting with the representatives of the three companies (Standard-Vacuum Oil, William Hunt and *Shanghai Evening Post and Mercury*) I described the conversation with the Minister and it was tentatively agreed, subject to obtaining approval from their respective home offices, that an application in draft form would be prepared by one of the companies for the Embassy to use in a

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<sup>13</sup> T. V. Soong.

<sup>14</sup> President of the Chinese Legislative Yuan.

<sup>15</sup> *Foreign Relations*, 1944, vol. VI, p. 991.

further informal discussion with the Minister, with a view to eliciting from him a statement as to its sufficiency. I understand that this procedure will be satisfactory to Wong, and that William Hunt and Company is prepared, if authorized by the head office, to make available its documents (which must be submitted in Chinese).

It was also agreed at this meeting that the foregoing information would be cabled by the representatives to their principals and by the Embassy to the Department as a basis for probable further discussion with the companies concerned or with the National Foreign Trade Council.

For the confidential information of the Department:

From reliable sources I understand that the Chinese Government is in fact making progress in its study of the draft legislation and that there is much interest in the principles advocated by Judge Helmick, which may however be somewhat modified. In so far as I could judge during my conversation with Dr. Wong, his attitude was by no means unfriendly to American or foreign business in general but it is nevertheless apparent that the Chinese Government proposes to exercise a considerable measure of control over their operations, now that extraterritorial rights no longer exist.

Having in mind the complexity and legal nature of the problem, I do not feel that the Embassy should directly influence the companies' decision whether or not to file application under existing legislation.

The suggestion of submitting an application in blank was made with a view to clarifying the Minister's attitude in the premises and also because I am of the opinion that to do nothing between now and June 30 and for the companies then to refuse to register might prejudice them in the eyes of the Chinese Government.

There are of course many more than three American companies involved, but the representatives calling on me stated that all of the others are currently represented by other than American citizens (some being Chinese and Indians) and they have therefore been reluctant to waver an open forum with them regarding the problem.

The question of possible relevance of the proposed commercial treaty<sup>16</sup> to this situation was also raised in discussion with the American representatives, but I informed them that generally speaking this instrument provides for the most-favored-nations treatment, and that specifically it would provide for the functioning of foreign companies "in conformity with the applicable Chinese laws and regulations," present or future.

BRIGGS

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<sup>16</sup> For documentation on this subject, see pp. 1258 ff.

893.5034 Registration/4-2045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, April 28, 1945—11 a. m.

639. 1. Department has given careful consideration to Embassy's 648, April 20, 8 a. m. reporting latest developments in regard to the question of the registration of foreign companies.

2. Please say to Dr. Wong, Minister of Economic Affairs, that the Department is very much disappointed that drafting of new registration regulations is proceeding so slowly although this question has been under consideration and study for over a year; that the National Foreign Trade Council, the China-America Council of Commerce and Industry and Judge Helmick who recently visited Chungking, have made a number of suggestions which it had been our hope would be of assistance to the Chinese authorities in the drafting of simplified and reasonable registration regulations; that American companies are very much concerned over this matter and hesitate to enter into business relations with China on the basis of the existing obscure and onerous registration regulations. Please impress upon Dr. Wong that the Department is seriously concerned over the adverse effect this matter is likely to have upon commercial relations between the two countries and strongly urge that new legislation prescribing clear and reasonable requirements for the registration of American and other foreign firms be enacted without further delay.

3. This matter will also be brought to the attention of Dr. T. V. Soong.

GREW

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711.932/5-1145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 11, 1945—3 p. m.

706. With regard to relation of draft commercial treaty<sup>16a</sup> to the question of corporation registration (Re Embassy's telegram 648,<sup>17</sup> final paragraph), attention is directed to article III paragraph 2 of the draft treaty providing that, within territory of one party, corporations of the other party shall have their juridical status recognized, and to article III paragraph 3 providing such corporations shall be accorded therein right to engage in specified activities upon the same terms as national corporations. Article III paragraph 4 adds that such corporations shall also receive most-favored-nation treatment therein, in addition to national treatment under preceding paragraph,

<sup>16a</sup> *Post*, p. 1258.

<sup>17</sup> April 20, p. 1210.

in the event, which would be exceptional, that corporations of other foreign countries receive better treatment than national corporations. Also note that most other parts of draft treaty which accord rights to corporations provide for national treatment, often with any additional rights which may be obtained through most-favored-nation treatment. Only in exceptional cases, for example as to mining (article V), does the draft treaty accord to corporations most-favored-nation treatment alone. It would be unfortunate to give Chinese Government impression that rights of foreign corporations under draft treaty would be based principally on most-favored-nation, rather than national, treatment.

Reference is also made to additional comment on article II paragraph 2 transmitted by Department's telegram 502<sup>18</sup> for insertion in the memorandum<sup>19</sup> for use in negotiating treaty. The statement therein, that the language concerning conformity with applicable laws is not intended to permit either party to impose upon nationals of other party restrictions not equally applicable to its own nationals, applies also to the same combination of this "applicable laws" language and the national treatment clause in the case of corporations (article III paragraph 3), as well as to all other similar combinations of provisions as to applicable laws and national treatment. This language in article III paragraph 3 is intended to prevent local legislation of one party from imposing upon corporations of other party such discriminatory treatment as the last sentence of urtel 648 implies would be permissible under the applicable laws provisions.

GREW

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893.5034 Registration/5-1245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 12, 1945—6 a. m.

[Received 2:30 p. m.]

765. With further reference to the problem of registration of foreign firm[s], I am of the opinion that an important reason why more progress has not been made may be that following the departure of Judge Helmick last winter there has been no officer in the Embassy (because of our inadequate staff) capable of pushing the matter on a day-to-day basis with the Chinese Government and of seeing the problem through—that is, until satisfactory legislation has been enacted. I therefore suggest for your consideration that the Department assign to us on a temporary basis as above a competent young attorney with

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<sup>18</sup> March 27, p. 1311.

<sup>19</sup> Enclosure 2 to Despatch No. 48, February 16, 1945, p. 1289.

experience in corporation law who could proceed to Chungking immediately to undertake this work.

I have spoken with Dr. Wu,<sup>20</sup> Acting Minister of Foreign Affairs, along the lines of the Department's telegram 639, April 28, 11 a. m., and he has expressed himself as being in full sympathy with the general objective of China's having modern legislation in the premises; I feel, however, that criticism of this nature if unaccompanied by constructive day-to-day discussion with the officials directly concerned may not be sufficient to solve the problem at as early a date as we desire.

Since the despatch of the Embassy's telegram 648, April 20, 8 a. m., I have been informed by the local representatives of the Standard Oil Company that the majority of American companies are now in the process of having translated and prepared for submission by the end of next month (deadline June 30) such documents as would be required for registration under average conditions in the United States and also under the [proposed?] legislation prepared by Judge Helmick. The same informant likewise states that British companies are preparing to file their applications before June 30. This again brings up the matter of the suggestion made in the Embassy's telegram No. 648 that one of the American companies forthwith submit as a basis for further discussion with the Chinese an application in draft form—a suggestion on which the Department did not comment in its telegram 639 but which I believe merits favorable consideration. A telegraphic reply in this connection would accordingly be appreciated.

Finally I am of the opinion that we should render to American companies every possible aid to enable them to compete on terms of equality with other foreign companies.

HURLEY

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893.5034 Registration/5-1245 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, May 17, 1945—7 p. m.

740. 1. Department is giving careful consideration to the suggestions set forth in paragraph 1 of Embs 765 of May 12, 6 a. m. However, Robertson,<sup>21</sup> who expects to leave for Chungking on May 18 should be able to follow this question closely.

2. Please continue to press both the Acting Minister of Foreign Affairs and the Minister of Economic Affairs for the early promulgation of simple and reasonable registration regulations. However,

<sup>20</sup> K. C. Wu.

<sup>21</sup> Walter S. Robertson, recently appointed Minister-Counselor of Economic Affairs.



you should indicate that American firms having representatives in China are of course prepared to register with the appropriate Chinese authorities but in view of the fact that the Chinese Government is actively engaged in the study of this question preparatory to the issuance of new regulations, it is requested that the Chinese Government agree to simple interim registration by American firms pending the promulgation of new regulations. In this connection the National Foreign Trade Council has suggested that American firms might submit the following information.

- (a) Name of corporation or company.
- (b) Place of incorporation.
- (c) Principal place of business.
- (d) Type of business.
- (e) Principal office in China.
- (f) Name and address of person in charge of principal office in China.

This information might be communicated to the appropriate Chinese authorities over the signature of the company's representative in China.

3. Department has noted from your 774 of May 14, 8 a. m.<sup>22</sup> (Standard Vacuum Oil Co's message) that British firms are already said to be registering. In view of desirability of American and British firms proceeding along similar lines the Department believes it would be advisable for the Embassy to discuss this question with appropriate officers of the British Embassy informing them of nature of further representations which you have been authorized to make, particularly with reference to interim registration, and suggesting that British and American firms agree if possible on the nature and type of information to be supplied and the form in which it should be presented to the Chinese authorities.

4. Please keep the Department fully informed of any further developments.

GREW

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611.0031/5-2245

*The Assistant Secretary of State (Clayton) to the Chinese Minister for Foreign Affairs (Soong)*<sup>23</sup>

WASHINGTON, May 22, 1945.

MY DEAR DR. SOONG: Referring to our recent conversation during which the registration of American firms in China was mentioned, I

<sup>22</sup> Not printed.

<sup>23</sup> Addressed to Dr. Soong at San Francisco, where he was Chinese delegate to the United Nations Conference on International Organization. For Dr. Soong's reply of May 25, see p. 1315.

should appreciate it very much if before you leave the United States it would be possible for us to discuss this matter further. The Department is concerned over the fact that, although the date (June 30, 1945) for filing registration and submitting documents is approaching, new laws and regulations have not been promulgated and also that the Minister of Economic Affairs has stated that it is doubtful whether legislation will be enacted prior to that time.

In view of the fact that under existing registration regulations American companies are hesitant to enter into business relations in China, and of the importance of this question with respect to our future commercial relations with your country, we are extremely desirous that your Government may find it possible to enact very soon new legislation in this field embodying clear and precise requirements for the registration of American and other foreign firms. Such action, we believe, would redound to our mutual advantage in helping toward an expansion of post-war trade.

Sincerely yours,

W. L. CLAYTON

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893.5034 Registration/5-1845

*The Acting Secretary of State to the Ambassador in China (Hurley)*

No. 144

WASHINGTON, May 25, 1945.

The Acting Secretary of State transmits for the information of the Embassy, a copy of a letter received from the Washington representative of the China–America Council of Commerce and Industry, Inc., together with the related letter from Mr. Blackwell Smith mentioned therein.<sup>24</sup>

The Embassy will note that the China–America Council is desirous of obtaining official confirmation of the four points enumerated in Mr. Blackwell Smith's letter.<sup>25</sup> The Department wishes to emphasize, however, that even though official confirmation should be forthcoming from the Chinese authorities, the Embassy should nevertheless continue to be guided by the Department's no. 740 of May 17, 1945 instructing the Embassy to press both the Acting Minister of Foreign Affairs and the Minister of Economic Affairs for the early promulgation of simple and reasonable registration regulations which it is believed would be more satisfactory than to predicate a question of such importance upon an official explanation of the present ambiguous regulations.

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<sup>24</sup> Neither printed; Mr. Smith was Vice President and Chairman of the Executive Committee of the Council.

<sup>25</sup> The four points dealt with definition of foreign corporations, registration of branches, consular certification of registration statements, and denial of registration.

This matter is also being discussed with Dr. T. V. Soong in Washington, in an endeavor to impress upon him and the appropriate Chinese authorities the importance attached by the Department to an early and satisfactory solution of this problem.

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893.5034 Registration/6-445 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 4, 1945—7 p. m.

855. Edwin Stanton in conversation of May 28<sup>26</sup> with Wang Chung-hui<sup>27</sup> at San Francisco brought up question of registration of foreign companies in China. Stanton pointed out that American firms interested in trade in and with China which have studied existing registration regulations consider regulations ambiguous and so complicated that compliance with all requirements by foreign firms would be difficult. Stanton said that since American firms now subject to Chinese laws and regulations this matter is very important to them. Satisfactory solution of problem would have direct bearing upon future Sino-American commercial relations, Stanton emphasized.

Wang expressed familiarity with problem. Said he and others of Chinese Government considered existing regulations, which were drafted 1931 and not adapted to application to foreign companies, were "inadequate". He desires satisfactory solution of problem. Said that before leaving Chungking he made certain specific recommendations to Legislative Yuan regarding drafting of new section on foreign corporations to be added to existing registration regulations. Said he had discussed matter with Judge Helmick and intimated he had used Helmick's draft suggestions for registration of foreign corporations in submitting to Legislative Yuan his recommendations.

Stanton informed Wang that since registration deadline is June 30, 1945 and since matter is still under consideration by Chinese Government AmEmbassy Chungking has been instructed to request Chinese Government to agree to simple interim registration until enactment new regulations. Stanton urged Wang do everything possible expedite matter. Wang said he realized importance of effecting early and satisfactory solution and would do all he could.

As requested in Depts 740, May 17 please keep Dept informed of any new developments.

GREW

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<sup>26</sup> Memorandum of conversation dated May 29, not printed.

<sup>27</sup> Secretary-General of the Chinese Supreme National Defense Council and delegate to the United Nations Conference on International Organization.

893.5034 Registration/6-1145

*Memorandum by Mr. Joseph Keating of the Division of  
Commercial Policy*

[WASHINGTON,] June 11, 1945.

MEMORANDUM FOR USE IN CONVERSATION WITH DR. SOONG CONCERNING  
COMPANY LAW IN CHINA

A pressing problem confronting American business in China relates to compliance by American companies with Chinese laws and regulations concerning the registration of foreign corporations.

The Chinese Ministry of Economic Affairs has twice extended the time for such compliance and American companies are now faced with the requirement that they register before June 30, 1945. There is a need for modernizing and clarifying the requirements of the registration laws. American companies are taking steps to submit their applications on or before June 30 but desire a further extension of time. They are chiefly concerned with the requirement that fees must be paid at the time of application for registration, and that these fees shall be based upon the capital allocated to branches of the company in China or, in cases where such allocations are not made, based upon half the total capital of the company. While the fees are to be on a graduated scale, the fact that they would in most cases be based upon half of the whole capital of the company (since it is not the practice of American companies to allocate capital to branches) makes the requirement so onerous that many companies would have no alternative except to discontinue their businesses. The effect would be to discourage the flow of new capital to China from the United States. In the case of some companies already in business there, the companies' fixed investments in China are now in occupied territory and it is impossible to make any accurate appraisal of these investments for the time being.

It is requested that the Government of China waive the immediate requirement of fees based on half the capitalization of the companies, pending full discussion of this question by representatives of the two Governments. It is suggested that a provisional registration (to take care of the situation until a permanent basis for registration can be provided) might be permitted which would involve compliance by American companies with substantially all points of the present Chinese laws and regulations, but with payment of fees upon a more equitable basis.

893.5034 Registration/6-1345

*The Chinese Minister for Foreign Affairs (Soong) to the Assistant Secretary of State (Clayton)*

[WASHINGTON,] June 13, 1945.

DEAR MR. CLAYTON: In reply to your letter of May 22 concerning registration of American firms in China, I wish to say that the Chinese Government is well aware of the importance of this question affecting the commercial relations of our two countries.

My Government has already taken steps to formulate new regulations for the registration of foreign firms which will be designed to establish simple and effective procedure for this purpose.

It is expected that these new regulations will be completed by the end of June, and in the event of their promulgation being delayed my Government is prepared to consider the further extension of the time limit set for registration.

Yours sincerely,

TSE VUN SOONG

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893.5034 Registration/6-1445: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 14, 1945—4 p. m.

904. In recent meeting with Assistant Secretary Clayton T. V. Soong stated that registration of foreign firms would be postponed for at least a year giving ample time for further conversations. Embassy is requested to make discreet inquiries and if confirmed, report by telegram.

GREW

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893.5034 Registration/6-1945: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 19, 1945—7 p. m.

944. Department has received a letter from Soong, the substance of which follows:

[Here follows text as printed above.]

You will note divergence between above letter and Soong's statement to Clayton reported in Department's 904 of June 14, 4 p. m. It would be to our advantage to proceed upon basis of Soong's oral statement. Please discuss matter with appropriate authorities, with Soong if possible, with a view to reaching satisfactory understanding of action to be taken by Chinese Government.

GREW

893.5034 Registration/6-2945: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 29, 1945.

[Received June 29—4:55 p. m.]

1074. Embassy was advised June 28 by K. C. Wu, Vice Minister,<sup>28</sup> that date for registration of branches of foreign companies has been postponed for 6 months until December 31, 1945. Please inform Department of Commerce and business groups such as National Foreign Trade Council and China-America Council of Commerce and Industry.

It is expected that during this period efforts will be made to complete revision of the company law and of the registration regulations. On June 18 the Supreme National Defense Council approved principles to govern the revision of the company law. These principles are to be sent to the Legislative Yuan as a basis for its revision of the company law. It is proposed that present regulations governing special limited liability companies will be incorporated as part of the revised company law, and that the latter will contain also a separate section of provisions relating to foreign companies. The Legislative Yuan will also revise the enforcement regulations for the company law and the regulations governing the registration of foreign companies. The approved principles as published in *Ta Kung Pao* June 19 providing that foreign companies establishing branches in China, after securing certificates of recognition and admission from the Chinese Government, will have the same rights and duties as domestic companies. The definition of a foreign company depends upon the location of its head office, which is to be interpreted as identical with the company's domicile or place of incorporation. A company owned entirely by Chinese if incorporated in the United States, for example, would be regarded as a foreign corporation. In confirming the above interpretation, Dr. Kan Nai-kuang, Assistant Secretary General, Supreme National Defense Council, states that the Council's intention has been to follow as closely as possible the recommendations of Judge Helmick. In the Council's statement of principles the Chinese term used, in place of "registration", is a combination of the characters meaning "to recognize" (*jen*) and "to permit" (*hsu*). This follows Helmick's recommendation that a term for "admission" on [*and?*] "recognition" be used rather than the Chinese terms ordinarily translated "registration" (*teng chi* or *chu tse*). Following is the Embassy's translation of the section of the principles governing the amendment of the company law which relates to foreign companies:

<sup>28</sup> For Foreign Affairs.

(15) The term "foreign companies" used herein is to designate companies that have their head office located outside China territory and that establish branch offices in China for the purpose of profit heading [*seeking?*].

(16) Unless formed and registered in accordance with the laws of their own countries, foreign companies may not apply for recognition and an admission. Without recognition and admission, Co. branch offices may be established.

(17) Under any one of the following conditions, foreign companies shall not be given certificates of recognition and admission: (a) When the purpose and activities of a company are in contravention of Chinese laws, public order, or good customs. (b) When it is proposed to establish a branch in a location in which residence by foreigners is admitted or to operate an enterprise in a field of activity in which participation by following is limited. (c) In the event that companies do not intend to set up branch offices in China, or do not have head offices in their own countries or do not have definite addresses even though they have head offices and branch offices. (d) If companies apply for recognition and remission [*admission?*] in China for the purpose of evading laws of their own countries, or to utilize the laws of a third country to acquire the state [*status?*] of a legal person in order to get the recognition of the Chinese Government, aiming at enjoying the privilege of the nationals of a third country. (e) If companies have made falsified reports in the items listed in Article 18.

Foreign companies established in countries that do not accord recognition and admission to Chinese companies may not be granted recognition and admission in China.

(18) When applying for recognition and admission, a foreign company shall state simply the following items with documents attached. (a) Address of the home office in its own country and address of branch offices in China. (b) Projected business activities and total capitalization. (c) Name of the company, and kind, (corporation, partnership, et cetera). (d) Company by-laws and photographic copies of the documents testifying to its recognition (incorporation) in its own country, and the dates of its formation and registration. (e) Name, nationality and address of its representative, agent, or manager. (f) If a company has been organized in accordance with a special act in its own country, a copy of such act shall be submitted. (g) Other items that are required in accordance with Chinese laws.

All the above-mentioned papers, which are required to be submitted, with the exception of any name lists which may be required, must be accompanied by a copy in Chinese.

(19) Application for recognition and admission for establishment of a branch of a foreign company shall be filed by shareholders participating in the operation of the business at its head office, or by directors of the head office, or by their representatives or managers in China, or by the latter's commissioned attendant. Applicant shall submit credentials certifying to his national [*nationality*] as well as to his power of attorney to act for the company.

(20) After being granted recognition and admission, foreign companies shall have the same legal rights and duties as Chinese companies of the same type.

(21) After being given recognition and admission, foreign companies may rent or purchase land required for their business operations. Approval of the Government office in charge must, however, be secured for this rental or purchase, provided also that Chinese companies in the applicant's country legally are permitted to the same privilege.

(22) Where after granting of certificate or [of] recognition and admission, a foreign company fails to register any matter which should be registered or to apply for a registration of change, in case of any change in the matter already registered, such matters shall not be set up as a defense against a third party.

(23) Foreign companies which have obtained certificates of recognition and admission and which subsequently decide not to undertake business operations shall return for cancellation the documents certifying to their recognition and admission. Responsibilities incurred prior to the return of the documents for cancellation shall remain to be borne by the companies.

(24) Under any one of the following conditions, the Government office in charge may cancel the recognition and admission: (a) If business operations have not been started within 6 months following the date of recognition and admission, with no request having been made for an extension of the period, or, if operations are suspended for more than one year after an enterprise was started in business. (b) When a foreign company is declared bankrupt. (c) In the event that matters reported or documents submitted in the application for recognition and admission are found to be untrue. (d) When the head office of a foreign company has been dissolved. (e) In case the existence of a branch of a foreign company is in contravention of this law or other laws.

(25) A foreign company not obtaining a certificate of recognition and admission in accordance with a law which undertakes to operate under its company name in China shall be fined and ordered to stop business operations.

(26) The internal organization and manner of operation of a registered foreign company shall be governed by the company by-laws. Matters relating to the internal phases of the operation which are not provided for in these regulations shall be governed by the law of its country. External activities shall be conducted in accordance with Chinese laws and decrees.

(27) After having given recognition and admission to a foreign company, the competent Government authority, when necessary, may inspect its roster of shareholders or other books and documents relating to business operations.

(28) In case there are other legal provisions regarding business operations in addition to these laws, those provisions shall be followed.

(29) With regard to penalties, there will be a separate section in the revised company law. Penalties will be prescribed for particular violations in the individual articles of that law. (*End of translation.*)

A translation of the complete text of the principles for revision of the company law and a copy of the Chinese text is being forwarded by air mail. The published statement of principles consists of three sec-



tions: (a) Relating to the general provisions (paragraph 1 to 4). (b) Relating to limited liability companies (paragraph 5 to 15), and (c) relating to foreign companies (translated above, paragraphs 15 to 29).

Main points of revision under sections (a) and (b) above include:

(1) Recommendation that the provision of the present company law which limits total investment of any company in other companies to 25 percent of its paid-up capital be revised to permit such investment up to 5 percent of paid-up capital, with this limitation not applicable to investments in "productive" enterprises or by investment companies.

(2) Recommendation that in distribution of profits by limited liability companies 20 percent of such profits should be allocated into the company's reserve fund until such time as that reserve fund equals in amount the company's total capitalization. The present company law provides that 10 percent of profit shall be so allocated.

(3) Recommendation that the existing limitation that only one-third of the total shares of a company may be issued as bearer shares be revised to permit issuance of such shares up to 50 percent of the total shares issued.

As actual revision of company law and of registration regulations will soon be undertaken by the Legislative Yuan, it is important that the Embassy be advised promptly of any comments from the Department of State, Commerce, or business groups regarding this statement of governing principles and the projected outline for registration requirements. It is assumed Department will make this information immediately available to Judge Helmick, to Commerce, and to interested business groups.

Reference paragraph 17 (e), second sentence above, please inform Embassy whether or not there are any states which do not admit Chinese companies to do business.

HURLEY

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893.5034 Registration/7-2545

*The Ambasssador in China (Hurley) to the Secretary of State*

No. 573

CHUNGKING, July 25, 1945.

SIR: I have the honor to enclose herewith, in original and hectograph copies, a set of Amendments to the Draft of the Revised Corporation Law, which was forwarded to the Department as an enclosure to Despatch no. 561, July 20, 1945.<sup>29</sup>

In sending these amendments to the Embassy, Dr. Sun Fo, President of the Legislative Yuan, stated that the amended draft is now

<sup>29</sup> None printed.

under discussion by the Commercial Laws Committee of the Legislative Yuan, after which it will be reported to the full session of the Yuan for final enactment. It is understood that no publication is to be given to the amendments as submitted.

Principal feature of the amendments is provision for a fifth form of company organization, the Limited Corporation, the shares of which may not be offered for sale to the public, and in which the liability of individual shareholders is limited to the amount of capital contributed. No amendments are made with respect to provisions regarding foreign corporations, as set forth in Chapter VII of the original draft law.

As already indicated in Despatch no. 561, July 20, 1945, the Embassy is desirous of receiving as promptly as possible the views of the Department and of the Department of Commerce regarding the provisions of this draft of the Revised Corporation Law. It would be greatly appreciated if the views of the Legal Committees of the National Foreign Trade Council and of the China-America Council of Commerce and Industry could be coordinated with the Department's instruction for the guidance of the Embassy.

Respectfully yours,

For the Ambassador:

WALTER S. ROBERTSON

*Minister-Counselor of Economic Affairs*

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893.5034/7-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[Extract]

CHUNGKING, July 31, 1945—11 a. m.

[Received 3:25 p. m.]

1259. We are today in receipt of the following letter from Dr. Sun Fo, President of the Legislative Yuan:

“In response to your inquiry as to how long the draft corporation laws will be under consideration by the Legislative Yuan before enactment into law, I take this opportunity to inform you that the draft has already passed the committee stage and has been brought up before the Yuan at last Saturday's session for first reading. At the present rate of progress, the draft will go through its second and third readings within the next 3 weeks, and will be enacted into law by the end of August 1945.”

It will be obvious from the foregoing that if our views are to be considered they will have to be submitted in the very near future. The long delay in taking action in response to our repeated requests

over a period of 3 months that a competent corporation lawyer be assigned to the Embassy staff during the drafting of this law may well mean that we shall have lost the opportunity of incorporating in the law such provisions as we consider necessary for the protection of our interests. Chinese authorities have shown every disposition to discuss the law with us on the ground, but they apparently do not intend to delay action pending the long time involved in sending the draft to Washington for consideration and the relaying of comments back to China. The draft despatched to you under date of July 20<sup>30</sup> has probably not yet reached you. Upon receipt please review and cable comments as promptly as possible. We shall do what we can to delay final action here.

HURLEY

893.5034/8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—8 a. m.

[Received 8:03 a. m.]

1309. Draft of the revised company law is scheduled for its second and third readings in the Legislative Yuan August 15 and 16 at which time final consideration will be given to possible amendments. It is urgently important therefore that the Department's views and those of Commerce and business groups be received as promptly as possible (Deptel 1199, August 4, 2 p. m.<sup>31</sup>).

Lacking a legal adviser, Embassy has not been able to take advantage of the opportunities afforded it by Chinese legislators during the drafting of this law. No legal opinions have been expressed, but at meetings with Dr. Sun Fo and with S. Y. Wu, Secretary General of the Legislative Yuan, and with Robert [C. W.] Cheng and Chaoyuen C. Chang,<sup>32</sup> members of the Legislative Yuan who have drafted revised legislation, the Embassy has endeavored to focus attention upon certain obvious difficulties relating to foreign corporations in chapter 7 of the present draft. It is now understood that the draft law will be revised in the following respects when presented for its second and third readings:

Article 264 (original draft), paragraph 3, provides *inter alia* that a foreign corporation must specify the amount of its total capital ap-

<sup>30</sup> Despatch No. 561, not printed.

<sup>31</sup> Not printed.

<sup>32</sup> Also known as Chang Chao-yuan and Chang Chaoyuen.

portioned for use in China. Article 276 (original draft) provides formula for apportioning capital if such is not fixed, and articles 291, 292, and 293 (chapter 8 original draft) specify the amount of registration fee to be paid on basis of capital figure. Practical difficulties in supplying this figure have been discussed with Legislative Committee. They now propose to omit this requirement and to impose a nominal fee for registration of branches of foreign companies irrespective of the amount of capital.

Article 265 (original draft) sets forth requirements for listing of shareholders. Embassy officers have pointed out practical impossibility of listing enumerated data for shareholders holding more than half of the total number GE [*of?*] shares of limited liability companies having more than 30 shareholders. Legislative Committee now proposes to require only the listing of the 30 largest shareholders of such corporations.

Article 275 (original draft) provides all documents and papers of foreign corporation sent to people "without the corporation" shall be in the Chinese language, et cetera. This provision is being revised to make clear its intended meaning, namely, that official correspondence with the Chinese Government will be in the Chinese language with provision that a copy may be attached in the language of the foreign company.

Article 281 (chapter 8, original draft) provides that filing and recording of matters of a corporation shall be applied for to the office of the general competent authority or through the office of the local competent authority to the central authority, i. e., the Ministry of Economic Affairs. Matters of the legislation intend that this provision will mean that a foreign company will be able to register all of its branches in China by a single application filed with the Ministry of Economic Affairs. It has been suggested that article 281 should be revised or supplemented to make explicit this understanding of its provisions.

Article 262 (original draft) provides that a foreign corporation shall not transact business in China without having a branch office and that no branch office shall be established without having been registered, et cetera. Unless qualified this provision would mean that foreign companies could not do business in China from time to time through traveling salesmen or representatives. It is understood that article 273 (original draft) is intended to provide for such non-regular business. Embassy understands there is some opposition to inclusion of article 273 (original draft) but that the Legislative Committee will press for its inclusion. Accordingly Department might well wish to emphasize this point if it agrees matter is of importance.

HURLEY

893.5034 Registration/7-2545 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 11, 1945—8 p. m.

1244. Department has had insufficient time to study carefully text of proposed law or to obtain views of China–America and Foreign Trade Councils. (Urtel 1309, August 9 and 1122, July 7 and despatches No. 561, July 20<sup>33</sup> and 573, July 25.) Department believes that, without pressing for such action, you should suggest that it would be in the mutual interest of China and the United States if Yuan delayed final consideration for a week or two.

The following comments which are in order of articles in the draft legislation are illustrative rather than expressive of all the suggestions Department and private organizations might make if time permitted:

Re Article 4, head office should be in state or political subdivision where organized, regardless of location of office from which principal business affairs are managed. See Appendix D, Part III, Section B, paragraph 2 of Department of Commerce memorandum of June 8 [9], 1945,<sup>34</sup> re Registration of Foreign Companies in China.

We assume Article 15 refers to special laws as may concern, for example, banking, insurance, public utilities. We would appreciate further clarification.

It is our understanding that *mutatis mutandis* provision of Article 270 would limit to Chinese branches application of provisions such as Article 19.

In Article 143, we are not certain as to meaning of phrase “a special personal interest” and in paragraph 3 of Article 146, “notice and public announcement” should be more clearly defined.

We feel that Article 149 imposes an unreasonable time limit, and Articles 194 and 195 raise obvious difficulties. We presume that Article 263, Paragraph 2, will not take precedence over treaty provisions.

It is our understanding that Article 267 applies only to external activities of foreign corporations and does not affect foreign corporations in respect to internal matters. As reported by *Ta Kung Pao*, June 19, 1945, the internal organization of a registered foreign company would be governed by company by-laws and by the laws of its country, while external activities would be subject to Chinese law. We are not certain as to what other articles in draft legislation besides those in Chapter VII apply to foreign corporations. As an illustration, we direct attention to the provisions concerning supervisors.

<sup>33</sup> Telegram No. 1122 and despatch No. 561 not printed.

<sup>34</sup> Entitled “Summary of Points of Agreement at Meeting of June 8, 1945”, not printed. A copy of this memorandum was transmitted to the Ambassador in China in instruction No. 207, July 18 (893.5034 Registration/7-1845).

It is assumed that Article 268 does not preclude the grant of broader rights and privileges in other laws or in treaties.

The Department is concerned with the possibility that Article 269 might be applied by Chinese courts to prosecute responsible persons of corporations for acts committed outside China.

Re Section 1 of Article 272, we assume that penalty would only apply where untruth is wilful or due to negligence.

In view of the fact that Article 273, in connection with 262, does not clearly give permission to foreign corporations to transact business without branch office, it is our view that either Article 262 or 273 should be redrafted to assure such privilege.

We understand that Article 274, line 2, refers to public in China and for purposes of clarification suggest that the phrase "in China" be inserted.

Some assurance is needed that Article 277 will be so interpreted and applied as to be accordant with the provisions of Article VII of the draft commercial treaty presented to the Chinese Government, April 2, 1945.<sup>35</sup>

The Department notes with satisfaction the remarks in the Embassy's telegram No. 1309 in regard to registration fees, re Articles 291, 292 and 293.

Apart from criticisms of provisions in draft law, Department may wish to suggest additions if final action on the draft legislation can be delayed as suggested in first paragraph above.

BYRNES

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893.5034 Registration/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—11 a. m.

[Received 1:50 p. m.]

1368. Pursuant to Department's telegram 1244, August 11, 8 p. m., Embassy now understands from Dr. Sun Fo that revised company law probably will not be enacted for 2 weeks. If further views by Department or business groups can arrive within a week or 10 days, they can be considered by legislative committee.

Please inform Commerce that copy of Wiener's<sup>36</sup> memorandum of June 9 sent by Moser<sup>37</sup> to Robertson under cover of letter dated June 14 did not arrive in Chungking until August 13. This memorandum has been of value as a coordinated expression of views of American

<sup>35</sup> See telegram No. 567, April 3, 2 p. m., from the Chargé in China, p. 1314.

<sup>36</sup> Myron Wiener, Chief of China Legal Section, Department of Commerce.

<sup>37</sup> Charles K. Moser, Chief of Far Eastern Unit, Department of Commerce.

business. It is hoped that steps have been taken to provide the Embassy with a similar statement concerning the present draft legislation.

HURLEY

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893.5034 Registration/8-1645 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 25, 1945—2 p. m.

1331. Following is "Summary of Points of Agreement" on draft Chinese corporation law (revision of 1945) reached at meeting on August 22, under auspices China Legal Section, Department of Commerce, of representatives of business groups.

"Those present or represented at the meeting expressed their views on the question of whether the Draft Chinese Corporation Law in its entirety is such as to attract American investment and trade in and with China. The views of the meeting, as drafted by a subcommittee appointed to draw a summarization of the views expressed, are as follows:

"1. American business interests have not been afforded time sufficient to study and consider thoroughly the Draft Corporation Law, and are therefore unable categorically to state whether it is, or is not such as to attract American investment and trade in and with China.

"2. Critical analysis has been further deterred by reason of the fact that there has not been made available an official Chinese text of the Law. The English translation which was the basis of the study is very apparently not a literal translation, but a very free translation, and in many places is so vague and inexplicit as to leave its exact meaning in doubt.

"3. From the study which could be given to the Law in the very short time afforded to us, it appears that the Law is neither simple nor clear; it is over-complicated and is founded on Continental and other legal concepts and theories with which Americans engaged in international trade are not familiar.

"4. The Law is not modern in the sense that it is not a law similar to that in use by any of the leading commercial nations.

"5. A more detailed review of American reaction could have been obtained if more time had been made available in which to study and discuss the Law. Inasmuch as foreign corporations are not required to register in China until December 31, 1945, it would appear that immediate enactment of the Law is not necessary. And in the event that a thorough study could not have been completed by that time 'Regulations for the Provisional Registration of Foreign Companies'

(Summary of Points of Agreement at meeting of June 8, 1945, Appendix B) might have been found useful.

"6. American business interests have no desire to dictate to China what laws it shall enact, but are ready to cooperate in studies which might result in the drafting of simple, clear, modern commercial laws which China might consider to its benefit to enact and upon which a large volume of mutually profitable trade might be based. Considerable benefit would be gained by consultations and joint studies with such a mission as is referred to in Embassy telegram No. 1195, July 20, 1945,<sup>38</sup> pertaining to the departure for America of Messrs. Wu Shang-Ying, Chang Chao-Yuan and Sheng Chen-Wei,<sup>39</sup> members of the Legislative Yuan, on a mission to study and discuss legislation of this type.

"7. The Law purports to cover the entire field of Company Law and contains a chapter on Foreign Corporations. However, no mention is made of Joint Enterprises and the rules which shall apply to them as first set forth in the Resolution of the Central Executive Committee<sup>40</sup> on September 9, 1943. The impression existed that special laws would be enacted with regard to this particular type of entity, which might supersede, if still in force, Regulations Governing Special Limited Corporations, promulgated March 21, 1940.<sup>41</sup>

"8. With particular reference to Chapter VII referring to Foreign Corporations, this Chapter sets forth, principally, registration regulations. The views of American business groups were fully set forth in the Summary of Points of Agreement at Meeting of June 8, 1945. Insofar as this Chapter differs therefrom or omits matters included therein, there now appears to be no reason to alter the views set forth therein.

"9. Chapter VII specifically applies to foreign corporations as do certain other articles by express reference or by their express terms. However, it appears that many other articles might apply to foreign corporations. For instance, it is not known if Article 194, referring to the setting aside as a reserve two-tenths of the profit, is applicable to foreign corporations. The Law should state specifically and particularly which articles apply to foreign corporations and should contain a statement that none other apply. See Summary of Points of Agreement, June 8, 1945, Appendix D, Section A.

"10. Previous information was to the effect that as to the internal affairs of a foreign corporation the law of its domicile would apply, and as to its external affairs Chinese law would apply. (See Dr. Wong

<sup>38</sup> Not printed.

<sup>39</sup> Also known as Robert C. W. Sheng.

<sup>40</sup> Of the Kuomintang.

<sup>41</sup> A translation of these regulations was transmitted to the Department by the Ambassador in China in his despatch No. 2434, April 15, 1944, not printed.



Wen-hao's letter of June 23, 1944.<sup>42</sup>) Chapter VII contains no clear or adequate statement to this effect, nor does it draw a clear demarcation between internal and external affairs.

"11. Chapter VII contains no clear express statement to the effect that under Chinese law no stockholder or officer shall be held to any greater quantum of personal liability for corporation obligations than would be imposed by the law under which it is created.

"12. Article 261 should include definitions of 'head office' and 'branch office' as set forth in Summary of Points of Agreement, June 8, 1945, Appendix D.

"13. Articles 262 and 273 should be corrected to conform to the definition of 'Business in China' as set forth in said Summary, Appendix D, paragraph 9.

"14. Article 264, paragraph 3, Articles 275 [276], 291, 292 and 293, with regard to specification of capital and fee payable thereon, we are in full agreement with Embassy's telegram<sup>43</sup> containing suggested amendments, and further, should provision for fee be so eliminated, we strongly object to apportionment of capital for any purpose or reason whatsoever. See Summary,<sup>44</sup> Appendix C, paragraph 1, subdivision 10.

"15. Article 264, paragraph 9 is not clear and what is required is not known. Everything normally required is provided for in paragraph 2 of this article.

"16. Article 264, paragraph 10, and Article 265, paragraph 2, are objectionable and should be omitted entirely as impractical, but if this is not possible then we are in accord with suggested amendment as set forth in Embassy's telegram regarding amendments.

"17. Article 268 refers to matter which will no doubt be subject of treaty, and if so the article should state that if it conflicts with the treaty, the treaty provision shall prevail.

"18. Article 269 is confusing, apparently due to poor translation and no definite conclusion can be expressed.

"19. Article 272, paragraph 1, should include a statement that the untruth of the particular statement must have been willful.

"20. Article 273 is too limited. Refer to comment under Article 262 as to what companies should be considered as 'doing business' and therefore subject to registration. All other business should not be required to register. The provision that 'such foreign corporation shall first designate an attorney etc.' is in effect a further registration regulation and would require every foreign corporation to register even if it were not 'doing business.'

<sup>42</sup> See footnote 11, p. 1208.

<sup>43</sup> No. 1309, August 9, p. 1225.

<sup>44</sup> Department of Commerce Memorandum of June 9; see footnote 34, p. 1227.

"21. Article 274 should be amended to read that as to the sale of shares foreign corporations shall be on the same basis as domestic corporations.

"22. Article 275 should be amended as suggested in Embassy's telegram.

"23. Article 276 has been commented upon hereinabove.

"24. Article 277 as worded would seem to subject foreign corporations to unwarranted searches, and might lead to the forced disclosure of trade secrets, formulae, patents and agreements. The expression 'books, documents or papers' should be limited to apply to books of account.

"25. Article 278 is subject to the same comment as set forth under Article 273 hereinabove.

"26. Article 13 is anomalous in that it would appear to be contrary to long-standing Chinese custom and might seriously impede business.

"27. Article 17, as amended, should include additional wording to be appended after the last word, as follows: 'Unless the permission of the original user of the name shall be given in writing.' The word 'character' which appears in this article should be in the plural so as to refer to Chinese ideographs used in the name rather than as referring to businesses of the same type or character.

"28. Article 18 is not objectionable so long as it is understood that no penalty attaches to a non-registered company which performs an isolated act of business, provided such company is an actual legal entity. See also comment with respect to Articles 262 and 273.

"29. Article 19 is objected to strongly on the ground that it requires a report of a foreign corporation's entire business, both inside and outside of China. Apparently a foreign corporation is required to file an inventory of its entire stock in trade both inside and outside of China, and this in many cases is a task of gigantic proportions and is entirely unwarranted.

"30. Article 20 is subject to the same comment as was made with respect to Article 277.

"31. Article 281 should be amended as suggested in Embassy's telegram regarding amendments.

"32. Article 289 is indefinite in that there is no definition of 'papers and documents' and 'to outside people.' In addition it is onerous, unwarranted and unnecessary.

"China-America Council of Commerce and Industry, Inc., was not formally represented at the meeting, but its views were expressed in two letters read at the meeting, the substance of which are as follows:

'With reference to Chinese Company Law there is obviously not time for analysis of the provisions before August 15, the time scheduled by the Legislative Yuan for its third hearing. We are still in

accord with the principles agreed upon in our Conference on June 8th, 1945 with the Department of Commerce but the detailed application of them to Chapter VII of the proposed draft requires mature consideration.

'It seemed to us that beyond indicating our continued accord with our agreed principles, we could do not better than to ask Dr. George Sellett, our Honorary Legal Advisor who is now in Chungking, . . .<sup>45</sup> to present our views as he understands them.' (Letter of August 13, 1945.<sup>46</sup>)

'Obviously it is not feasible to send detailed suggestions immediately but we should, nevertheless, study the legislation as it is now proposed so as to present our ideas as a basis for later modification.' (Letter of August 14, 1945.<sup>46</sup>)"

Department sends foregoing summarization without comment (having received too late to permit study thereof) or intention that it be transmitted to Chinese officials, but as of possible interest to Embassy and to be used at Embassy's discretion. It is not intended as statement of Department's views (Department's comments in tel 1244, August 11, still valid) nor deemed as expressive of governmental policy or the views of any Department thereof. Further details re meeting and comments of Department follow by airgram.<sup>47</sup>

BYRNES

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893.5034 Registration/9-345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 3, 1945—8 a. m.

[Received September 4—10:41 a. m.]

1507. At a meeting on August 29th the substance of Department's telegram 1331 August 25th, 2 p. m., was conveyed to Dr. Sun Fo, President of the Legislative Yuan, and to Dr. Chang Chao-yuan, member of the Legislative Drafting Committee, as expressive of the preliminary views of representative American business groups concerning the provisions of the Draft Corporation Law. Attending this meeting with Messrs. Robertson and Walker<sup>48</sup> was Dr. George Sellett, Honorary Legal Advisor to the China-America Council of Commerce and Industry.

It had been understood by the Embassy that final consideration of the Draft Corporation Law was to be given by the Legislative Yuan on August 30 or 31. Mr. Robertson explained that in responding to

<sup>45</sup> Omission indicated in the original telegram.

<sup>46</sup> Copy not found in Department files.

<sup>47</sup> Airgram No. A-301, September 5, not printed.

<sup>48</sup> Assistant Commercial Attaché Melville H. Walker.

Dr. Sun's invitation for their comments, neither the Departments of State or Commerce nor American business groups had had sufficient time to formulate their views in detail [on?] these circumstances, and because initial study of the draft law appeared to have raised serious questions with respect to many of its provisions, the hope was expressed that final action on the law might be delayed until these official views and more complete comments could be fully submitted for consideration by the Legislative Yuan.

A number of points concerning the draft law were discussed at length with Dr. Sun and Dr. Chang with a view to making clear that in many respects the law as it now stands may not be one which would attract American trade and investment in and with China.

Although the August 29 meeting was concluded without a definite decision from Dr. Sun, on September 2 the Embassy learned that only chapters 1 and 2 of the draft law passed their second readings in the Legislative Yuan on August 31, and that the remaining chapters would not come up for second reading until September 14. It is expected that the whole law will come up for its third reading and final passage a few days after that date.

Referring to final paragraph Department's telegram 1331, August 25, 2 p. m., it appears doubtful that the more detailed views of business groups and the Department's comments thereupon will arrive by airgram in time for consideration. As we feel certain that there will be further delay in final enactment of this law, it is requested that a statement of the views of the Department of State and/or Commerce regarding this law be forwarded by telegram at the earliest possible date.

HURLEY

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893.5034/9-845

*The Ambassador in China (Hurley) to the Secretary of State*

No. 693

CHUNGKING, September 8, 1945.

[Received September 21.]

The Ambassador has the honor to report the substance of a conversation on September 5, 1945 between Dr. Chang Chaoyuen, Member of the Legislative Yuan, and Mr. M. H. Walker, Assistant Commercial Attaché, regarding matters relating to the revision of the Company Law, and the proposed visit to the United States and other countries of a committee of three members from the Legislative Yuan for the purpose of studying commercial legislation.

Perhaps the most important new information developed from this conversation was that Dr. Chang, Mr. S. Y. Wu, Secretary-General of the Legislative Yuan, and Mr. Robert C. W. Sheng, who together

constitute the committee which is being sent abroad to study commercial legislation, will not depart as soon as previously expected. They now plan to go first to Shanghai where each will take two or three weeks to put in order his personal affairs, after which they hope to proceed directly to the United States. (The original plan called for going first to Europe to spend several months before a stay in England and subsequent passage to the United States.) Dr. Chang said that they would spend about two months in the United States. During this time he planned to prepare, in collaboration with a friend who is a professor in the Columbia Law School, an annotation in English of the Revised Company Law. Such an annotation is already being prepared in the Chinese language.

Dr. Chang said that while in the United States he hoped to consult with officials of the Department of State and of the Department of Commerce regarding the company law. This law, it is expected, will be approved by the Legislative Yuan before the end of this month (September). The date of enforcement of the law, however, is set for January 1, 1946. In this event, Dr. Chang explained, should there be serious questions raised with respect to the provisions of the company law after its enactment, but prior to its enforcement, it would still be possible to amend the law before its effective date. He explained that such amendments could be introduced into the Legislative Yuan upon petition by five members.

During the course of the conversation, Dr. Chang revealed a difference in view as between Dr. Wong Wen-hao, Minister of Economic Affairs, and Dr. Sun Fo, President of the Legislative Yuan. Dr. Chang stated that after Dr. Wong read the first draft of the Revised Company Law, he criticised it as not providing for strict enough governmental control over corporations. About two weeks ago Dr. Sun Fo replied to a letter in which Dr. Wong set forth this criticism and "in very strong language" Dr. Sun argued in favor of a more liberal law.

In this conversation Dr. Chang took pains to mention the other elements in the Chinese Government with which it is necessary to deal on a practical political basis in the formulation of this law. He said that within the Legislative Yuan itself there were a number of "isolationist" or "nationalistic" elements who believed that the draft law went too far in providing for the interests of foreign companies. Also that the Ministry of Finance was chiefly responsible for the requirement that every company, foreign or domestic, submit a statement of its assets and liabilities and of profit and loss at the end of each year. These financial statements were required by the Finance Ministry as a basis for levying taxes. In reply to a question as to the need for a statement of total assets and liabilities (and after

pointing out the practical difficulties in apportioning the part of a foreign company's total assets devoted to its business in China), Dr. Chang stated that this figure was necessary in order to know the percentage of return upon investment which would be represented by annual profits. If a company earned \$1,000,000 on a total capital of \$5,000,000, for example, it apparently would be expected to pay a higher tax than if its total capital were \$10,000,000. Mr. Walker stated that while this percentage of capital basis might apply to an excess profits tax, he saw no need for a total capital figure to levy an ordinary income tax, and practical difficulties in supplying it. Dr. Chang is going to try to have this provision of the present draft law omitted, as it applies to foreign companies, but explained the problem he was up against with respect to the Ministry of Finance.

Dr. Chang asked Mr. Walker to express his views as to the reasonableness of the several provisions relating to foreign companies. Mr. Walker stated that he was not in a position to speak for his Government or for American business interests in this matter, that he expected to receive a statement of the views of the Department of State and/or the Department of Commerce within a few days, and that he would promptly make these available to Dr. Chang and his committee. Dr. Chang expressed the hope that the closest possible contact and exchange of views could be continued until the final passage of the law.

Dr. Chang left with Mr. Walker a copy in Chinese of the draft law as it now stands, a number of changes in the text having been made since the first draft of the law was completed and submitted for consideration early in July.

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893.5034 Registration/9-345: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 11, 1945—8 p. m.

1435. Following supplements comments Deptel 1244 August 11 (Urtel 1507 Sept 3). Paragraph numbers correspond to those in Deptel 1331 August 25. No attempt has been made to cover all points in Deptel 1331.

9. Dept agrees Chapter VII should state specifically which articles in other chapters apply to foreign corporations and that no other articles apply. (See eight paragraph] Deptel 1244.)

10. Interpretation of Article 267 in Deptel 1244 if correct may be safeguarded by specification suggested in 9 above. Otherwise we should suggest clarification in the law of point made in Deptel 1244 or at least official confirmation of statement reported therein from *Ta Kung Pao*.

11. Dept suggests Chapter VII should state clearly the degree of personal liability for corporate obligations to which stockholders, officers or directors of foreign corporations will be held.

12. Dept agrees that Article 261 defining foreign corporation is inadequate. Term "head office" meaning office in state where organized should be used instead of "principal office". See comment re Article 4 in Deptel 1244.

14. Regarding paragraph 3 of Article 264 and Articles 276, 291, 292 and 293 dealing with apportionment of capital for use in China and registration fees to be paid thereon, we assume that proposal of Legislative Committee to impose nominal fee regardless of amount of capital for use in China (Urtel 1309 August 9) involves cancellation of Article 276 and last clause of paragraph no. 3, Article 264. If not, this cancellation should be urged in view of impracticability of making such apportionment.

15. Article 264, paragraph 9, appears unnecessary, but there is no clear ground for objection.

16. Re Article 264, paragraph 10, and Article 265, proposal of Legislative Committee to require listing of only 30 largest shareholders of limited liability corporations is noted with satisfaction (Reurtel 1309).

21. Article 274 unobjectionable provided it concerns sale of shares to public in China only.

26. Dept assumes that Article 13 is designed to achieve purpose of Article 12 and that it will not prevent corporation from acting as guarantor in course of legitimate business.

28. Article 18 is ambiguous, since there is no definition of "business" as regards foreign corporations. Dept agrees with comment in Deptel 1331.

30. Assurance is needed that Article 20, in so far as applied by the operation of Article 270 to foreign corporations, as well as Article 277, accord with provisions of Article VII of proposed commercial treaty with China (See Deptel 1244).

31. Dept concurs in suggested amendment to Article 281 reported in Urtel 1309.

32. Suggest Article 289 be revised to apply only to official correspondence with Chinese Government as in Article 275 (Urtel 1309).

Dept is informed that China-America Council expects to have its views ready for transmission about Sept 17.

In speech on June 4 at China-American Council dinner in San Francisco Soong reportedly said China "has recently removed a number of restrictions on foreign capital such as limiting foreign investment to a minority share in joint enterprises, and requiring that general managers shall be of Chinese nationality". Dept desires details of existing law relating to joint enterprises.

Please express to Chinese Government our appreciation of its cooperative spirit in affording this Government opportunity to comment on proposed corporation law and to suggest changes which we believe would be mutually beneficial.

893.5034 Registration/9-1845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 18, 1945—9 a. m.

[Received 9:30 p. m.]

1611. The supplementary comments of the Department regarding the revised company law were received and decoded by 2 p. m., September 13. Reference Department's telegram 1435, September 11, 8 p. m. Inasmuch as Dr. Sun Fo and other members of the Legislative Yuan were leaving at 3 p. m. of the same day for Peipei to attend the next day's session, it was not possible to do more than telephone Dr. Sun Fo informing him of the arrival of the message which confirmed points already made in informal conversations, and of the fact that a copy would be forwarded as promptly as possible.

As reported in despatch No. 693 of September 8, 1945, Dr. Chang Chao-yuan, principal member of drafting committee, supplied Embassy on September 5 with a Chinese language copy of third draft of revised company law and specified the provisions therein which relate to foreign companies. A translation of these provisions was made by Embassy staff members and they were analyzed by the Assistant Commercial Attaché<sup>49</sup> in consultation with Dr. George Sellett, honorary legal adviser, China-America Council of Commerce and Industry, and Lieutenant Colonel Joseph K. Greenwood, United States Army headquarters, China Theater, and corporation lawyer formerly with Securities [and] Exchange Commission.

In the second reading of chapters 1 and 2 on August 31, the definition of a foreign company (third draft) was found to have been amended to provide that such a company must have been "engaged in business" in the country of its origin in order to qualify for registration in China. The meaning of "doing business" in this context would, of course, be a matter for interpretation. Dr. Chang explained that it was intended to go beyond age [*the?*] requirement merely for the maintaining of a legal head office and that it evidenced a definite desire to limit the granting of permission for establishment of branches in China to firms actually operating in their own countries. Dr. Sun Fo appears to share this attitude that foreign enterprise should incorporate in China under Chinese law rather than to register as branches of foreign companies. Also there is considerable opposition in the Legislative Yuan to any provision which would make it possible for Chinese to organize a company abroad to carry on business in China as a foreign corporation.

In an extended personal conversation with Dr. Chang on September 12 (fully reported in despatch No. 716, September 15, 1945<sup>50</sup>) the

<sup>49</sup> Melville H. Walker.

<sup>50</sup> Not printed.



Assistant Commercial Attaché cautioned against the inclusion of any such requirement, pointing out that under it no single one of the four main American companies now operating in China, namely, Standard-Vacuum, Texas Oil Company, Shanghai Electric Power Company, and Shanghai Telephone Company could qualify for registration. In many instances, it was explained, American corporations form a subsidiary company to carry on their foreign business and this subsidiary company does not engage in business within the United States. The implication of this provision with respect to China Trade Act<sup>51</sup> corporations would also be a matter of concern to the Department of Commerce and the American business community. Dr. Chang agreed to bring these points to the attention of Dr. Sun Fo and to give further consideration to this definition.

Following the second reading on September 14, of the entire law in the Legislative Yuan, Dr. Chang indicated to Mr. Walker that the definition of a foreign company was approved as follows:

Article 7. A foreign company within the meaning of this law is a profit-seeking corporation organized under the law of a foreign state or by special permission of a foreign government registered and doing business, and also admitted by the Chinese Government to do business.

Dr. Chang stated that under the interpretation of this article intended by Dr. Sun Fo and the Legislative Committee, a foreign company which merely maintains a legal head office in the state of its origin could qualify for registration in China.

Virtually all points in Department's telegram No. 1435 were covered in the September 12 conversation or had been presented in earlier discussions. It is now possible to report that the Legislative Yuan on September 14 deleted any requirement that a foreign company apportion the amount of its capital to be used in China. Provision was made for a flat registration fee of CN<sup>52</sup> dollars 1,000 and a CN dollar 500 license fee to apply to all companies. Also deleted for all, except companies with unlimited liability shareholders, was any requirement for listing shareholders. Added as article 308 was a provision authorizing foreign companies to do sporadic business without registration by filing certain minimum information with the Ministry of Economic Affairs, including designation of a legal agent in China to accept legal process. Also deleted was a requirement that foreign companies secure the approval of the Central Government authority for the lease of land needed in their business, but the requirement for such approval for purchases of land remains as part of the draft law. Articles 29 and 30 of the third revised draft which require the submission of

<sup>51</sup> Approved September 19, 1922; 42 Stat. 849.

<sup>52</sup> Chinese National currency.

detailed financial statements at the end of each business year were made not to apply to foreign companies.

It is understood that the third and final reading of the law and its enactment are scheduled for September 29, and that the law will be enforced as from January 1.

Dr. Chang will provide the Embassy with a Chinese copy of the law as it is approved and will check the Embassy's translation of the provisions thereof which apply to foreign companies. Copies of the Chinese text and of the Embassy's translation of relevant sections can probably be forwarded shortly after October 1.

HURLEY

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893.5034 Registration/9-1845 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, September 24, 1945—7 p. m.

1526. Dept is apprehensive of future misunderstanding if reliance is placed on interpretive comments (Urtel 1611, Sept 18) which may or may not accurately reflect the official view of the present or future govts, rather than on clear language in the law. Therefore, if not already included, it would appear desirable to insert in the law an article designating the provisions relating to foreign companies.

The same apprehension applies to the language approved by Legislative Yuan for article numbered 7 in Urtel under reference with the addition that to say the least the language in that article is unclear and subject to an interpretation diametrically opposite to that offered by Chang. It is believed that it would be helpful if the Chinese would amend the article so as to clearly convey the meaning intended by Sun Fo. Dept assumes this is old article 261 reworded and moved to Chapter 1.

Dept is gratified at reported amendments in draft.

ACHESON

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893.542/9-2945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 29, 1945.

[Received September 29—4:40 p. m.]

1681. Chinese patent law promulgated May 29, 1944, is not now in effect. Reference Department's telegram 1524, September 24.<sup>53</sup> Ac-

<sup>53</sup> Not printed; it inquired as to whether the patent law of 1944 was in effect and as to procedure in registering American patents in China (893.044/9-2445).

ording to responsible officials of Ministry of Economic Affairs, this law was to be enforced one year after conclusion of hostilities. No enforcement regulations are ready or have been issued. Procedure for registration of foreign patents will not be established until this law becomes effective. Chinese citizens may now apply for registration of patents under the provisional regulations governing encouragement of industrial techniques originally promulgated September 1932 and most recently revised January 1941.

ROBERTSON

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893.5034 Registration/10-645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 6, 1945—10 a. m.

[Received October 6—7 : 42 a. m.]

1738. Department's views expressed in telegram 1526, September 24, 7 p. m., were conveyed upon receipt September 27 to Dr. Sun Fo, President Legislative Yuan. Assistant Commercial Attaché was informed by Dr. Sun Fo, however, that the provisions of the law had already been approved and that the suggested changes accordingly could not be made. Formality of a third reading in Legislative Yuan was completed September 29 with no change made in draft law as it stood after the second reading on September 14. The law is now awaiting promulgation by Executive Yuan and is to be enforced from January 1946.

Embassy has shared Department's apprehension with respect to provisions in company law which depend upon interpretative comments rather than upon clear and explicit statement. It is convinced, however, that this aspect of law is calculated and is intended mainly to allow Ministry of Economic Affairs to retain discretionary powers. In this respect revised company law appears to evidence what many discern as growing tendency toward policy of state control of China's economic development.

Dr. Sun expressed view that article 7 (quoted in Embassy's telegram 1611, September 18, 9 a. m.) would not disqualify from authorization to do business in China the branch of any foreign company wishing to engage in export or import trade. It was intended mainly, he explained, to prevent the authorization (registration) as foreign companies of enterprises which would do business entirely within China. Such enterprises in his view should be organized as companies under Chinese law.

To an inquiry concerning the status of China Trade Act companies, Dr. Sun replied that if such companies actually were engaged in

bringing goods from the U. S. to China or in exporting Chinese goods no difficulties would arise. It would not be possible, however, for a China Trade Act company to qualify if its business was to be done solely within territory of China. To a further question concerning the status, say, of the Shanghai Power Company under this interpretation, Dr. Sun Fo replied, "Of course, this company will have to be reorganized as a Chinese company."

On October 1, Dr. Chang Chao-yuan supplied Embassy with two copies revised company law and stated that he would undertake an English translation of the entire law to be completed in several weeks' time. The Embassy has completed a translation of the articles which apply to foreign companies and will forward it to Department with comments after translation is checked with Dr. Chang. Copy of Chinese text is also being forwarded for Department of Commerce<sup>54</sup> in response to Department's telegram 1511, September 21.<sup>55</sup>

ROBERTSON

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893.5034 Registration/10-645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 6, 1945—5 p. m.

[Received October 6—3:46 p. m.]

1746. In recent conversations both with Dr. Sun Fo, President Legislative Yuan, and Dr. Chang Chao-yuan, drafter, revised company law, the Assistant Commercial Attaché has inquired concerning the present legal status of joint enterprises (ReDeptel 1435 September 11 and Dept. of Commerce inquiry telegram 1460 September 14<sup>56</sup>).

These sources state that term "joint enterprise" does not refer to a type of entity or form of organization unmentioned in the revised company law and/or on which new or special legislation is required. The term loosely refers to any company whether organized in China or abroad in which Chinese and foreign shareholders or investors are associated. It can of course also refer to any company in which the Chinese Government and a foreign govt. or foreign private interest share in ownership.

The revised company law as approved by Legislative Yuan Sept. 29 (ReEmbs telegram 1738, October 6, 10 a. m.) and after promulgation scheduled for enforcement January 1, 1946 does definitely purport to cover entire field of general company law. The term "joint enter-

<sup>54</sup> Despatch No. 813, October 22, not printed.

<sup>55</sup> Not printed.

<sup>56</sup> Latter not printed.

prise" is not restricted to the "limited company" as provided for in chapter V of this law. It is expected that joint enterprises in which the Chinese Govt. participates will chiefly consist of such "limited companies" but there is nothing to prevent the association of Chinese and foreign capital in any of the other types of organization provided for in the company law.

There is no stipulation as to percentage of capital or shareholders which must be of Chinese nationality in any of these types of companies. It is only provided (article 193 in draft as approved) that the chairman of the Board of Directors of a "limited liability share company" must be Chinese. Also in such companies half of the incorporations and directors are required to reside in China as is at least one examiner (*chien ch'a jen*). In the case of "unlimited liability companies" and "limited companies", half of the shareholders (of whatever nationality) must reside in China.

Dr. Chang further stated that upon enforcement of the revised company law January 1, 1946, such measures as the law covering special limited corporations promulgated March 21, 1940, would be repealed. The banking, mining, insurance and maritime laws are now in process of revision. These laws may be expected to contain provisions concerning foreign participation in these particular fields; reference qualifying phrase article 297 revised company law which states that "unless otherwise provided for by law the legal rights and duties of a foreign company which has been granted authorization as well as the jurisdiction of appropriate governmental authority over it shall be the same as in the case of Chinese companies. Reference also article 25 of same law which states that "should the business of a company require special permission by the government such business shall not be undertaken unless such special permission has been obtained".

The Embassy will report as promptly as possible on revisions which are made on these laws affecting particular fields of economic activity, especially as they may affect foreign participation, and upon specific measures which are to be repealed upon enforcement of company law.

ROBERTSON

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893.5034/10-1745

*The Chargé in China (Robertson) to the Secretary of State*

No. 802

CHUNGKING, October 17, 1945.

[Received October 31.]

The Chargé d'Affaires ad interim has the honor to forward herewith the Chinese text and an English translation of the table of contents of the Revised Company Law which was approved in the Legis-

lative Yuan on September 29, 1945.<sup>57</sup> The law is now awaiting promulgation by the Executive Yuan and scheduled for enforcement from January 1, 1946. It is requested that no publication of this law be made until the date of its promulgation by the Chinese Government.

Also enclosed is the Embassy's translation of Chapter II on *Definitions* and Chapter VIII relating to *Foreign Companies* together with those articles in Chapter II, *General Provisions*, which are stated in Article 299 to apply *mutatis mutandis* to foreign companies. Of the articles in Chapter IX on *Registration and Authorization of Companies*, only those which the text indicates are applicable to foreign companies have been translated.

The Department will observe that the Legislative Yuan did not include any article to enumerate the provisions which apply to foreign companies and/or to state explicitly that other articles do not so apply. In accordance with the Department's instructions, the Embassy made the strongest appropriate recommendations on this point, but its suggestions were not accepted.

Dr. Sun Fo, President of the Legislative Yuan, has requested Dr. Chang Chao-yuan, committee member chiefly responsible for the drafting of this law, to prepare an English translation of its entire text to be ready in several weeks' time. A copy of this translation will be forwarded to the Department by the Embassy as promptly as it is received.<sup>58</sup> Dr. Chang also hopes to prepare an English annotation of the law for the benefit of foreign business interests. Preparation of this annotation, which Dr. Chang had intended to prepare in the United States (see despatches no. 693 September 8, 1945 and no. 716 September 15, 1945<sup>59</sup>), may be delayed, however, since Dr. Chang has subsequently been appointed to serve on the Legislative Yuan committees which are to revise the Chinese banking and insurance laws. Dr. Chang states that this work must be completed before he or the other two members of the Legislative Yuan committee scheduled to go abroad for study of foreign commercial laws can leave China. (Note: It is probable that this visit actually has been "indefinitely postponed". M[elville] H. W[alker])

[Here follows discussion of details.]

### *Evaluation of Company Law*

As already reported (see despatch no. 716, September 15, 1945,<sup>60</sup> and telegram no. 1738, October 6, 1945), the characteristic feature of

<sup>57</sup> Enclosures not printed.

<sup>58</sup> A copy of the translation of the revised company law promulgated on April 12, 1946, was transmitted to the Department by the Chargé in China in his despatch No. 1266, April 15, 1946.

<sup>59</sup> Latter not printed.

<sup>60</sup> Not printed.

the present Company Law is the extent to which on important points discretionary power remains with the Ministry of Economic Affairs. Thus all foreign corporations seeking to do business in China must secure the approval of that Ministry. It has the power to decide what constitutes "doing business" in China, what companies can be regarded as "having transacted business" in the country of their origin, and whether or not authorization will be granted to do business within China. In this basic respect the Company Law reflects what many discern as a growing tendency in the Chinese Government towards a policy of state control of industry.

Under this law it would appear that a foreign company wishing to establish a branch in China for the assembly or manufacture, say, of automobiles, might meet every legal requirement set forth in the Company Law, but would have no assurances that by the fact of so doing it could qualify for the approval of the Ministry of Economic Affairs, especially if the Ministry were intent upon carrying out certain policies with respect to the number or location of factories to be admitted into that particular line of activity.

The further question remains, of course, as to the extent to which a revised company law, however carefully framed, can or will in practice actually be enforced. In this connection, the Embassy should make clear that while it has made every effort to convey the Department's suggestions to the Legislative Yuan committee for the purpose of assisting the Chinese in the drafting of this law, there are those in Chungking who would not have taken a similar attitude. A leading British business representative, for example, expresses the view that no great concern should be displayed or efforts made to assist the Chinese in the modernization of their laws, since, in any event, the amended or revised laws cannot in practice be enforced. In this person's opinion, they can probably be enforced to a greater extent with respect to foreign as compared with Chinese companies. His attitude quite frankly expressed is, "Let the law be as bad and unworkable as possible, and let us continue to do business by arrangements, as we have always done".

Such a view is undoubtedly extreme, and of the sort which, if adopted as a basis of action, could only accentuate an equally extreme and nationalistic reaction on the part of the Chinese. It may not be expected, however, that China will this month or this year or next, come to adopt and enforce a legal system which is consistent in its philosophy, either with Anglo-Saxon or Continental traditions, or which is modern by the standards of advanced Western nations. Any idea of such a legal basis for trade and investment relations with China, it is believed, must remain a hope or a goal to be achieved. If American companies wait for this goal to be realized, or set its realiza-

tion as a necessary condition for trade or investment, they will do but little business for some time to come. A sustainable expansion of investment and trade can only be measured by the insight and judgment which American business can show in adapting to conditions, in China, as they actually exist.

The Embassy believes that in certain respects the Company Law has been improved by representations which have been made both by the Department of State, the Department of Commerce, and from representative American groups, such as the China-America Council of Commerce and Industry and the National Foreign Trade Council. Deletion of any requirement for listing of shareholders of limited liability companies and of the apportioning of the amount of the company's capital to be used in China are cases in point. Also to be noted is the omission of any registration fee based upon the amount of capital intended for use in China, and the fixing of a uniform fee of CN\$1,000 for registration of the branch of any foreign company. With reference to airgram A-338 from the Department of Commerce dated September 27, 1945,<sup>61</sup> it may be indicated that the "certificate fee" provided for in Article 316 of the law as finally enacted is intended only to defray the expenses of issuing the actual certificate of authorization to do business (the translation "license fee" used in Embassy's telegram no. 1161 [1611], September 18, 1945 was not a fortunate one).

Finally, for the information of the Department, the Embassy should report its apprehension as to the procedures by which the Legislative Yuan is now engaged in revising Chinese commercial and financial laws, and of the speed with which this is being attempted. The most complicated legislation, such as the company, banking, and insurance laws, is being amended without adequate study and preparation, and by lawyers who do not appear to be among China's best in terms of practical experience. The results undoubtedly will be heralded as accomplishing the "modernization of China's legal structure". As a matter of fact, they will represent only the barest first steps in this direction.

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893.5043 Registration/9-1845 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, October 19, 1945—7 p. m.

1708. Article by Lieberman <sup>62</sup> in today's *New York Times* reports announcement of new company law. Statements made include following in substance:

<sup>61</sup> Not printed.

<sup>62</sup> Henry R. Lieberman.



According to Sun-Fo the law will necessitate the reorganization of all foreign-owned public utilities in Shanghai as Chinese companies. Their board chairmen must be citizens and residents; at least two American and three British firms are affected. The American companies are Shanghai Power Company and Shanghai Telephone Company. Sun-Fo also states that the reorganization of foreign-owned utilities in Shanghai will have to take place under the definition of an "alien company" in the new act. According to Sun-Fo the phrase "doing business in its country" has the most vital bearing on the future status of Shanghai utilities. He argues that even though they are subsidiaries of foreign companies they are not themselves "doing business" in their own countries. The mentioned companies declined to comment until entire text is available.

The law permits the Government to inspect the books of alien companies whenever necessary and forbids foreign firms to "solicit shares or issue debentures" in China.

The article concludes with the following paragraph:

"American Embassy representatives who have kept the State Department fully informed of the law's progress, have conferred and corresponded with Dr. Sun on the exact definition of the phrase 'it was pointed out' Dr. Sun said 'that under the definition the Texas China Oil Company, for example, could not do business in China as an American company. That is not the case. The Texas China Oil Company is a subsidiary of the Texas Company but the crucial fact is that it gets its oil in America. The Shanghai Power Company does not get its power in the United States'. Dr. Sun said that Shanghai Power was organized with Chinese capital, the ownership, however, remaining vested in what he referred to as a 'group of American promoters.'"

Is Department's assumption that article is based on newspaper interviews with Sun-Fo and Embassy correct? Any comments Embassy may have regarding article, particularly interpretative portions, or Department's action pending receipt of text, will be appreciated.

BYRNES

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893.5034 Registration/10-2745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 27, 1945—11 a. m.

[Received October 29—9:20 a. m.]

1877. ReDeptel 1708, Oct. 19, 7 p. m. Article on Revised Company Law in *New York Times* by Lieberman was based exclusively on his interview with Dr. Sun Fo, President Legislative Yuan, and Dr.

Chang Chao-yuen, drafter of law. Lieberman telephoned Embassy prior to filing despatch but Embassy declined to comment, especially since law had not yet been promulgated by Chinese Govt.

Copy of Lieberman's despatch subsequently furnished Embassy appears to state authentically provisions of the Revised Company Law as approved by the Legislative Yuan. In some respects, however, the statement is incomplete and hence may give misleading impressions. For example, it is stated that half the shareholders and the chairman of the board of directors of an unlimited liability company must reside in China. This is true but (see Embtel 1746, Oct. 6) for the less exacting provisions which relate to limited liability share companies, the form of business organization mainly of interest to American business.

Lieberman's statement of the views and interpretations of Dr. Sun Fo appear entirely accurate and Lieberman says that he secured latter's approval of text of this article prior to sending it.

In accordance with Dept's instruction, Embassy had made strongest appropriate representations to Dr. Sun Fo and to Legislative Yuan committee on points in draft law which appear prejudicial to trade and investment relations between United States and China. Especially is this so with respect to the requirement that a foreign corporation must transact business in the country of its origin in order to qualify for registration. It is known, however, that inclusion of this provision is one which is strongly approved in the Legislative Yuan and is intended to prevent Chinese or foreigners from incorporating companies abroad to do business solely within China.

It is understood that this provision would not prevent registration of any American company engaged in the export or import trade. Its interpretation and Chinese Govt policy generally in regard to the establishment in China of branches of American manufacturing concerns remains to be explicitly stated. Also its effects with respect to China Trade Act companies will require to be more definitely appraised. Embassy would welcome views of the Dept. and Dept. of Commerce on this latter point as well as any information concerning amendments in the China Trade Act which are now under consideration in Washington.

This publicity prior to promulgation of law (in early November) affords an opportunity to bring to the attention of Executive Yuan the provisions of the law which the Dept., the Dept. of Commerce and American business groups regard as mutually undesirable and without

prejudicing the Embassy's relationship with Legislative Yuan. This is being done in accordance with Deptel 1709, Oct. 19, 7 p. m.<sup>63</sup>

Copy of Chinese text of Revised Company Law together with Embassy's translation of relevant sections thereof and with more complete expression of Embassy's evaluation of law was forwarded by airmail on Oct. 22, 1945. Reference despatch No. 802, Oct 17, 1945.

ROBERTSON

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893.5034 Registration/11-845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 8, 1945—8 p. m

[Received November 8—3:35 a. m.]

1940. On November 2 we delivered to Ministry of Foreign Affairs a formal note expressing apprehension at effects upon trade and investment relation of certain aspects of Revised Company Law as approved by Legislative Yuan. Attention was directed particularly to requirement (articles 7 and 292) that to qualify for registration in China a foreign company must also have transacted business in country of its origin. In suggesting that elimination of this requirement would do much to clarify law and to facilitate efforts to promote commerce and investment between China and United States, Embassy pointed out that definition of a foreign company in article 7 of Revised Company Law as approved by Legislative Yuan is at variance with definition approved June 18, 1945 by Supreme National Defense Council in its statement of principles governing revision of the company law. According to paragraph 15 in that statement as published in *Ta Kung Pao*, the term foreign company was to designate companies which have their head office located outside Chinese territory and which established branch offices in China for purpose of profit seeking. According to Dr. Kan Nai-kuang, formerly Assistant Secretary General of the Supreme National Defense Council and now Political Vice Minister for Foreign Affairs, view existed among certain elements in Chinese Govt. that company law as drafted is inconsistent with aforementioned statement of principles, and he stated to Chargé d'Affaires that law is being returned to Supreme National Defense Council for its consideration and approval prior to promulgation.

Points raised in Department's telegram 1737, Oct. 25, 1781 and 1782, Nov. 2,<sup>64</sup> are being taken up with appropriate officials. Refer-

<sup>63</sup> Not printed.

<sup>64</sup> None printed.

ence Part 7, Dept's telegram 1737, Oct. 25, a responsible official of Ministry of Economic Affairs states that regulations governing the deposit of special reserve by industry and commercial enterprise during time of emergency April 14, 1941, were repealed on Oct. 7, 1945.

Pending review of law by Supreme National Defense Council, it would appear undesirable to make any public distribution of the mimeographed copies of certain sections of the Revised Company Law forwarded as enclosures<sup>65</sup> to Embassy's despatch No. 802, Oct 15 [17], 1945.

Please inform Commerce.

ROBERTSON

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893.5034/10-1745 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 16, 1945—1 p. m.

1853. The following resolution was unanimously adopted at a meeting of representative businessmen called by China Legal Section of Commerce on November 9:

"American business interests highly appreciate Embassy's representations to Ministry of Foreign Affairs leading to review of Company Law by Supreme National Defense Council. It is the considered opinion of American business interests that certain provisions in the proposed Chinese Company Law in its present form are detrimental to American business interests in China and will, if enacted into law, have the effect of preventing full American participation in the industrialization of China and of limiting the flow of American capital into China. The specific objections to the proposed Chinese Company Law have already been forwarded to the American Embassy. It is now recommended that further representations be made to the Chinese authorities in an effort to have the law in question amended to meet the specific objections referred to above and particularly the definition of a foreign corporation as found in Articles 7 and 292."

Among those present were Cornell Franklin<sup>66</sup> and L. V. Collings of National Foreign Trade Council, A. B. Foye, Mildred Hughes and Viola Smith of China-America Council, William P. Hunt, Duane Wilson of China Corporation, and W. Mayger, Jr., of California Texas Oil Company.

Re your statement (Urtel 1940, Nov. 8) that Law is being returned to Supreme National Defense Council "for its consideration and approval prior to promulgation" the businessmen were not clear as to

<sup>65</sup> None printed.

<sup>66</sup> Former American Chairman of the Municipal Council, Shanghai International Settlement.

whether this would be the normal and regular procedure in any case, or whether the statement of Dr. Kan Nai Kuang was intended to imply that the Council is not satisfied with the Law and presumably will order its revision on a more liberal basis. In other words, it was feared that the return of the Law to the Supreme National Defense Council means that the Council will approve and order its promulgation as it now stands. Dept would appreciate Emb comments by way of clarification of foregoing.

Re Article 305, Embassy's translation states that a foreign company "may" report certain particulars. If the reporting of the particulars is optional with the foreign company American business interests have no objection. Further information on this subject is requested.

Re Article 298 businessmen wish to know if when applied to the U. S. the expression "provided that the same rights are accorded to Chinese companies by the law of the country of the foreign company's origin" means the law of the state under which the foreign company is incorporated. If so, the phrase is not objectionable.

Mimeographed copies of enclosure<sup>67</sup> to your despatch No. 802, October 15, were distributed to business groups before receipt of Urtel No. 1940, Nov. 8.

BYRNES

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893.5034 Registration/11-845: Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 4, 1945—1 p. m.

1932. American businessmen are becoming increasingly disturbed with regard to the projected Company Law especially in view of the fact that it may become law on January 1 in its present form. ReEmb 1940 dated Nov 8 and Dept's 1853 dated Nov 16. They are particularly concerned over Articles 7 and 292 and the Dept shares their feeling of concern.

Please inquire whether there is now a definite prospect that the provisions mentioned above will be altered prior to Jan 1, 1946 in a manner which will relieve the concern of the Dept and American businessmen. If you find that there is no definite prospect that it will be altered it is desired that you arrange to call directly on Generalissimo Chiang Kai-shek and lay the case before him simply and forcefully. In doing so you may state that the American Government, in questioning the Company Law in its present form, is motivated by the desire that there be revived as soon as possible mutually beneficial commercial relations between the businessmen of America and

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<sup>67</sup> Not printed.

those of China and that it would be most regrettable if unreasonable impediments of a legalistic character were allowed to interfere with such a revival.

BYRNES

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711.932/11-3045

*Memorandum by the Assistant Chief of the Division of Commercial Policy (Gay) for General George C. Marshall*<sup>68</sup>

[WASHINGTON,] December 7, 1945.

It would seem appropriate at the time of mentioning to Generalissimo Chiang Kai-shek the importance which this Government attaches to early consummation of the proposed commercial treaty that his attention also be called to the importance of providing domestic legislation consistent with and in the spirit of this treaty, that is, which would be conducive to maximum flow of commerce and investments between the two countries. The pending Chinese Company Law is a principal case in point. The original draft thereof was given to the American Embassy last July and as a result of suggestions by our Embassy emanating from American business interests several changes have been made.

The proposed law has just been referred back to the Supreme National Defense Council for reconsideration before promulgation (presumably January 1, 1946) because it was not deemed by certain Chinese officials to be entirely consistent with previously-stated principles of the Council. The principal points still at issue insofar as important American business interests are concerned have been transmitted to our Embassy (1932, December 4, 1945) with the instruction to approach General Chiang Kai-shek on the matter. They feel that failure of the Chinese Government to amend the law in these specified respects, particularly that dealing with the definition of a "foreign company", might seriously jeopardize the flow of investments into China and the position of some existing American companies in China.

It is suggested therefore that at the time of discussing with the Generalissimo our interest in the treaty reference be made to the desirability for this further modification in the Chinese Company Law.

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<sup>68</sup> Attached to a memorandum of November 30 to General of the Army Marshall, Special Representative of President Truman to China, prepared in the Division of Commercial Policy, p. 1325.

893.5034 Registration/12-745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 7, 1945—10 a. m.

[Received December 7—8:00 a. m.]

2113. Can Department advise Embassy of status of China Trade Act under altered conditions following abolition of extraterritoriality? Are any proposals for amendment of this Act soon in prospect or are any steps being taken in Commerce with this end in view? (ReEmb-tel 1877, October 27, 11 a. m.) This information needed for Embassy's guidance in current negotiations re company law.

ROBERTSON

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893.5034 Registration/12-1045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 10, 1945—9 a. m.

[Received 1:42 p. m.]

2130. As reported Embtel 1940, November 8, Embassy on November 2 delivered to Foreign Affairs Ministry a note expressing the apprehension of Departments of State and Commerce and of American business with respect to certain provisions (especially of articles 7 and 292) of Revised Company Law. Embassy explained reasons for this apprehension and stated that a further statement of considered views of China-America Council was being sent air mail and if desired could be forwarded for consideration by interested officials. On November 20 Ministry acknowledged Embassy's note stating that it had been brought to attention of competent authorities and expressing hope that views of China-America Council would be forwarded for reference purposes. This was done November 30 and in its note of transmittal Embassy reiterated attitude of American Govt and business regarding objectional provisions of articles 7 and 292 (ReDeptel 1853, November 16, 1 p. m., and 1932, December 4, 1 p. m.).

On December 3 Ken Lee, Commercial Counselor, Chinese Embassy, Washington, in conversation with Assistant Commercial Attaché referred to a recent discussion with Wong Wen-hao regarding articles 7 and 292 and stated he has expressed view to Wong that American companies if dissatisfied might establish their offices for China business in Hong Kong. He was not able to state however what decision of Chinese Govt. would be. As instructed Deptel 1932, Embassy will now make inquiry and representations at highest levels Chinese Govt. and promptly inform Dept. of results.

Regarding questions raised in Deptel 1853, November 16, it was normal procedure for company law to be referred to Supreme National Defense Council for review prior to its promulgation by Executive Yuan. It appears doubtful, however, that criticism of law by other elements in Chinese Govt. as mentioned by Kan Nai-kuang would have stopped promulgation. Dr. Chang Chao-yuen, drafter of law, has privately stated that law would have been promulgated several weeks ago if it had not been for Embassy's representations.

For background on article 305, see page 3 Embassy's despatch 716, September 15.<sup>69</sup> As written, language now reads that a foreign company which only occasionally transacts business in China and which has not been granted "authorization" may report certain particulars to appropriate governmental authorities, most important of which is a designation of agent in China to accept legal process. Present language clearly makes filing this report optional. Embassy doubts, however, that this was intent of legislators who probably meant to say "in view of registration such a company may report", etc. Official clarification on this point was requested in Embassy's note of November 30.

Clarification has also been requested on article 298. Embassy believes, however, that interpretation expressed in Deptel 1853, November 16 is correct.

Please inform Commerce.

ROBERTSON

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893.5034 Registration/12-745 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 12, 1945—5 p. m.

1974. Following from Commerce: Re telegram 2113, December 7, Commerce has taken view that those portions of China Trade Act which do not accord with altered conditions following abolition of extraterritoriality are inoperative. Commerce soon hopes to be able to present to Congress proposed amendments to the Act to make it accord with existing conditions. Business groups are presently studying the Act for the purpose of presenting unanimous proposals to Congress. Unanimous proposals when reached will be forwarded to Embassy, but at this time all parties are agreed that there should be retained the main purpose of the Act, i. e., the exemption from certain American taxation of China Trade Act companies for the purpose of promoting trade with China.

BYRNES

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<sup>69</sup> Not printed.



893.5034 Registration/12-2045 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 20, 1945—8 a. m.

[Received 1:25 p. m.]

2191. In informal conversation with Chargé Dr. Kan Nai-kuang, Vice Minister Foreign Affairs, stated that company law would no doubt be returned to Legislative Yuan for further consideration prior to its promulgation and enforcement which now cannot occur on January 1 as previously announced. Dr. Chang Chao-yuen, drafter of law, has also stated it will be returned to Legislative Yuan for further consideration but he could not state definitely that articles 7 and 292 will be revised in the way American business desires. Deadline for registration of foreign companies, Dr. Chang stated, would undoubtedly be postponed pending promulgation of new law.

Chinese find difficulty in understanding objections of American business to articles 7 and 292 or why American business would hesitate to incorporate under Chinese law as they do under laws of other countries. Embassy is endeavoring to make as convincing representations as possible of the Dept's views and those of American business on these points. Dr. George Sellett, Honorary Legal Adviser, China-America Council, is assisting on discussions.

SMYTH

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893.5034 Registration/12-2845 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 28, 1945—8 p. m.

2076. Chinese News Service Washington under Chungking date line Dec 27 has released the following:

“In reply to a question concerning the reported revision of the Chinese Company Law, Government spokesman Dr. P. H. Chang<sup>70</sup> said that he was told by Dr. Sun Fo that no such modification has been contemplated by the Legislative Yuan.”

American firms with extensive interests in China continue to express concern with regard to possibility being required register Jan 1 in spite of info contained Embassy's 2191 Dec 20 which has been made available to them. They refer in this connection to previous postponement to Dec 31, 1945 of date for registration of branches of foreign companies (Urtel 1074 June 29) and are apprehensive that for-

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<sup>70</sup> Counselor of the Chinese Executive Yuan.

eign firms will be required to effect registration under existing legislation. Dept has undertaken to convey such assurances as seem implicit in Embassy's 2191 namely that "deadline for registration of foreign companies would undoubtedly be postponed pending promulgation of new law".

Several firms currently operating in China have nevertheless indicated to Dept their willingness to register as of Jan 1 if required to do so and have expressed a desire to approach the appropriate Chinese authorities direct and inform them to this effect. Dept has suggested however to these firms that they instruct their representatives in China to keep in touch with and be guided by the advice of Embassy. In this connection Dept has taken note of penultimate sentence Urtel 2191 and desires that Embassy endeavor to obtain definite assurances that deadline for registration will be postponed pending promulgation new law.

ACHESON

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893.5034 Registration/12-2945 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 29, 1945.

[Received December 29—10:23 a. m.]

428. There are in Shanghai a large number of companies incorporated under China Trade Act in which as Department is aware American financial interest is negligible. Chinese Govt Alien Property Administration, to which application must be made by all firms for repossession of property, both real and personal, requires Consular endorsement on application for repossession, that applicant is an American company. I am aware, of course, of Department's instructions that Consular assistance may not in all cases be extended to China Trade Act companies and, in line with those instructions, I have heretofore certified applications for repossession of property only in cases in which there is a showing of substantial American financial interests. I believe, however, that since the China Trade Act permits firms to incorporate as District of Columbia corporations without requirement of American financial interest, it is no more than fair that the Consulate recognize such companies as American companies to the extent of so certifying their application for repossession of their property. The same will hold true of Delaware corporations, many of which do not have substantial American financial interest.

Department's instructions are requested by telegraph as the matter is urgent.<sup>71</sup>

Sent to Dept; repeated to Chungking.

JOSSELYN

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893.5034 Registration/12-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 31, 1945—8 a. m.

[Received 10:47 a. m.]

2248. At press conference December 26 Govt. spokesman P. H. Chang stated he had been told by Dr. Sun Fo, President [of] Legislative Yuan, that no modification of company law was contemplated by Legislative Yuan. Dr. Sun's public statement is reliably understood to have been in response to questions from correspondents after publication of a statement attributed to the China-America Council that the company law would probably be revised, in effect, in accordance with the Council's recommendations. Under the headline "Chinese Company Law to be revised at CAC's request," this appeared in the *National Herald* December 26 as Central-UP despatch datelined San Francisco, December 24. For its text see Embtel 2228, December 27.<sup>72</sup>

Whether or not the Council was correctly reported in this despatch, the publicity in China could scarcely have been more poorly timed or more inappropriate. It has served only to provoke Dr. Sun's public stand, and therefore to seriously handicap the Embassy in negotiations which are now in their most delicate stage. Please so inform the Council.

The Embassy is continuing efforts at modification of law (please inform Commerce) in accordance with Dept.'s instructions.

ROBERTSON

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<sup>71</sup> In telegram No. 21, January 5, 1946, the Department concurred in the suggested action, "namely that for sole purpose of repossession of property from Chinese Govt Alien Property Administration Consulate should recognize American character of companies incorporated in U. S. regardless of nationality of controlling interest or ownership of such companies." The Department added: "This should not be done however where majority interest in such company is enemy-owned, even though company may be incorporated under laws of U. S."

<sup>72</sup> Not printed.

PRELIMINARY DISCUSSIONS REGARDING THE NEGOTIATION OF A TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION WITH CHINA <sup>1</sup>

711.932/2-1645

*The Secretary of State to the Ambassador in China (Hurley)*

No. 48

WASHINGTON, February 16, 1945.

SIR: Reference is made to the Embassy's despatch no. 2572 of May 17, 1944, containing comments upon the draft of a proposed convention of friendship, commerce and navigation with China, which was transmitted to the Embassy with Department's memorandum instruction no. 609 of April 22, 1944.<sup>2</sup>

With the present instruction there is sent a revised draft treaty. The Embassy is requested to examine the draft, to transmit as soon as possible any comments which it may have, and to let the Department know whether any objection is perceived to communicating it to the Chinese Government.

An accompanying memorandum provides comments upon the provisions of the draft, especially as to those articles which represent variations from standard articles in this type of treaty or concerning which the Embassy has previously made suggestions, or which for some other reason seem to require explanation which can be communicated to the Chinese. A separate accompanying memorandum <sup>3</sup> contains some further information which is for the use of the Embassy.

Since there has been some change in the order of articles since the earlier draft was sent to the Embassy, there has been included, at the end of the memorandum for use of the Embassy, a sheet <sup>3</sup> on which there is an indication, for each numbered article in the revised draft, of the corresponding number or numbers in the earlier draft. With the present instruction are also sent copies of the principal treaties and executive agreements <sup>4</sup> which are referred to in the two memoranda.

Certain articles in the draft treaty are still under discussion between this Department and other Departments of the Government. Final

<sup>1</sup> Continued from *Foreign Relations*, 1944, vol. vi, pp. 1008-1022.

<sup>2</sup> Neither printed.

<sup>3</sup> Not printed.

<sup>4</sup> Department of State Treaty Series Nos. 285, 646, 692, 725, 748, 852, 857, 862, 868, 940, and 956; Executive Agreement Series Nos. 277 and 311.

clearances may necessitate telegraphic instructions to the Embassy as to changes in wording. The Embassy is requested to advise the Department by telegraph of the receipt of the draft, and to await telegraphic instruction from the Department before actual presentation to the Chinese Government.

Very truly yours,

For the Secretary of State:  
WILLIAM L. CLAYTON <sup>5</sup>

[Enclosure 1] <sup>6</sup>

DRAFT TREATY OF FRIENDSHIP, COMMERCE AND NAVIGATION BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF CHINA <sup>7</sup>

The United States of America and the Republic of China, desirous of strengthening the bond of peace and the ties of friendship which have happily long prevailed between the two countries by arrangements designed to promote friendly intercourse between their respective territories through provisions responsive to the spiritual, cultural, economic and commercial aspirations of the peoples thereof, have resolved to conclude a Treaty of Friendship, Commerce and Navigation, and for that purpose have appointed as their Plenipotentiaries,

The President of the United States of America :

.....

and,

The President of the National Government of the Republic of China :

.....

Who, having communicated to each other their full powers found to be in due form, have agreed upon the following Articles :

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ARTICLE I

1. There shall be constant peace and firm and lasting friendship between the United States of America and the Republic of China.

<sup>5</sup> Assistant Secretary of State.

<sup>6</sup> Filed separately under 711.932/1-1845.

<sup>7</sup> For convenience of reference, this document is printed line for line as in the original, and the page numbers of the original document are indicated in brackets.

2. The Government of each High Contracting Party shall have the right to send to the Government of the other High Contracting Party duly accredited diplomatic representatives, who shall be received and, upon the basis of reciprocity, shall enjoy in the territories of such other High Contracting Party the rights, privileges, exemptions and immunities accorded under generally recognized principles of international law.

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## ARTICLE II

1. The nationals of either High Contracting Party shall be permitted to enter the territories of the other High Contracting Party, and shall be permitted freely to reside, travel and carry on trade throughout the whole extent of such territories. In the enjoyment of the right to reside, travel and carry on trade, the nationals of either High Contracting Party shall not be subject, within the territories of the other High Contracting Party, to any interference, nor shall they be required therein to apply for travel visas or to apply for or carry any travel documents, other than (a) valid passports or (b) other documents of identification issued by the competent authorities of their respective countries.

2. The nationals of either High Contracting Party shall, throughout the whole extent of the territories of the other High Contracting Party, be permitted, without interference, to engage in commercial, manufacturing, processing, financial, professional, scientific, educational, religious and philanthropic work; to carry on every form of commercial activity which is not forbidden by the laws and regulations enforced by the duly constituted authorities; to acquire, hold, erect or lease, and occupy appropriate buildings, and to lease appropriate lands, for residential, commercial, manufacturing, processing, financial, professional, scientific, educational, religious, philanthropic and mortuary purposes; to employ agents or employees of their choice regardless of nationality; to do anything incidental to or necessary

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for the enjoyment of any such rights and privileges; and to exercise all these rights and privileges, in conformity with the applicable laws and regulations, if any, which

are or may hereafter be enforced by the duly constituted authorities, upon the same terms as nationals of such other High Contracting Party.

3. The nationals of either High Contracting Party shall not in any case, in the enjoyment of the rights and privileges provided by paragraphs 1 and 2 of this Article, receive treatment with respect to such rights and privileges less favorable than the treatment which is or may hereafter be accorded to the nationals of any third country.

4. Nothing in this Treaty shall be construed to affect existing statutes of either High Contracting Party in relation to immigration or the right of either High Contracting Party to enact statutes relating to immigration; provided however, that nothing in this paragraph shall prevent the nationals of either High Contracting Party from entering, traveling and residing in the territories of the other High Contracting Party in order to carry on trade between the United States of America and the Republic of China, or to engage in any commercial activity related thereto or connected therewith, upon terms as favorable as are or may hereafter be accorded to the nationals of any third country entering, traveling and residing in such territories in order to carry on trade between such other High Contracting Party and such third country or to engage in commercial activity related to or connected with such trade; and provided further

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that nothing in the provisions of Section 3 of the Immigration Act of the United States of America dated February 5, 1917,<sup>8</sup> which delimit certain geographical zones for the purpose of restricting immigration, shall be construed as preventing admission into the United States of Chinese persons and persons of Chinese descent.

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### ARTICLE III

1. As used in this Treaty the term "corporations and associations" shall mean corporations, companies, partnerships and other associations, whether or not with limited liability and whether or not for pecuniary profit, which have been or may hereafter be created or organized

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<sup>8</sup> 39 Stat. 874.

under the applicable laws and regulations enforced by the duly constituted authorities.

2. Corporations and associations created or organized under the applicable laws and regulations enforced by the duly constituted authorities within the territories of either High Contracting Party shall be deemed to be corporations and associations of such High Contracting Party and shall have their juridical status recognized within the territories of the other High Contracting Party whether or not they have a permanent establishment, branch or agency therein.

3. Corporations and associations of either High Contracting Party shall, throughout the whole extent of the territories of the other High Contracting Party, be permitted, without interference, to exercise all the rights and privileges enumerated in paragraph 2 of Article II, in conformity with the applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, upon the same terms as corporations and associations of such other High Contracting Party. The preceding sentence, and all other provisions of this Treaty according to corporations and associations of the Republic of China

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rights and privileges upon the same terms as corporations and associations of the United States of America, shall be construed as according such rights and privileges, in any state, territory or possession of the United States of America, upon the same terms as such rights and privileges are or may hereafter be accorded therein to corporations and associations created or organized in other states, territories or possessions of the United States of America.

4. Corporations and associations of either High Contracting Party shall not in any case, in the enjoyment of the rights and privileges provided by this Article, receive treatment with respect to such rights and privileges less favorable than the treatment which is or may hereafter be accorded to corporations and associations of any third country.



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## ARTICLE IV

1. The nationals, corporations and associations of either High Contracting Party shall enjoy, within the territories of the other High Contracting Party, rights and privileges with respect to organization of and participation in corporations and associations of such other High Contracting Party, including the enjoyment of rights with respect to promotion and incorporation, the purchase, ownership and sale of shares and, in the case of nationals, the holding of executive and official positions, in conformity with the applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, upon the same terms as nationals, corporations and associations of any third country. Corporations and associations of either High Contracting Party, organized or participated in by nationals, corporations and associations of the other High Contracting Party pursuant to the rights and privileges enumerated in this paragraph shall be permitted to exercise the functions for which they are created or organized, in conformity with the applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, upon the same terms as corporations and associations that are similarly organized or participated in by nationals, corporations and associations of any third country.

2. The nationals, corporations and associations of either High Contracting Party shall be permitted, in conformity with the applicable laws and regulations, if

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any, which are or may hereafter be enforced by the duly constituted authorities within the territories of the other High Contracting Party, to organize, control and manage corporations and associations of such other High Contracting Party for engaging in commercial, manufacturing, processing, mining, scientific, educational, religious and philanthropic work. Such corporations and associations so organized, controlled and managed shall be permitted to engage in such commercial, manufacturing, processing, mining, scientific, educational, religious and philanthropic work within such territories, in con-

formity with the applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, upon the same terms as corporations and associations of such other High Contracting Party organized, controlled and managed by its own nationals, corporations, and associations.

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#### ARTICLE V

The nationals, corporations and associations of either High Contracting Party shall be permitted throughout the whole extent of the territories of the other High Contracting Party to explore for and to exploit mineral resources, in conformity with the applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, upon the same terms as nationals, corporations and associations of any third country.

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#### ARTICLE VI

1. Throughout the whole extent of the territories of each High Contracting Party the nationals of the other High Contracting Party shall receive the most constant protection and security for their persons and property, and shall enjoy in this respect the full protection and security required by international law. To these ends, persons accused of crime shall be brought to trial promptly, and shall enjoy all the rights and privileges which are or may hereafter be accorded by the laws and regulations enforced by the duly constituted authorities; and nationals of either High Contracting Party, while within the custody of the authorities of the other High Contracting Party, shall receive reasonable and humane treatment. In so far as the term "nationals" where used in this paragraph is applicable in relation to property it shall be construed to include corporations and associations.

2. The property of nationals, corporations and associations of either High Contracting Party shall not be taken within the territories of the other High Contracting Party without due process of law and without the prompt payment of just and effective compensation. If such compensation is not paid in terms of the currency

of the High Contracting Party of which the owner of such property is a national, corporation or association, such owner shall be permitted without restraint or interference, at any time within a period of three years after payment is made, to obtain as compensation or in return for the

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currency received as compensation, foreign exchange in terms of any currency or currencies which such national, corporation or association may elect, upon the most favorable terms applicable to such currency or currencies at the time such exchange is obtained.

3. The nationals, corporations and associations of either High Contracting Party shall throughout the territories of the other High Contracting Party receive protection and security with respect to the matters enumerated in paragraphs 1 and 2 of this Article, upon compliance with the laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, no less than the protection and security which is or may hereafter be accorded to the nationals, corporations and associations of such other High Contracting Party and no less than that which is or may hereafter be accorded to the nationals, corporations and associations of any third country.

4. The nationals, corporations and associations of either High Contracting Party shall enjoy freedom of access to the courts of justice and to administrative tribunals and agencies in the territories of the other High Contracting Party, in all degrees of jurisdiction established by law, both in pursuit and in defense of their rights; shall be at liberty to choose and employ lawyers, interpreters and representatives in the prosecution and defense of their rights before such courts, tribunals and agencies; and shall be permitted to exercise all these rights and privileges, in conformity with the

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applicable laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities, on terms no less favorable than the terms which are or may hereafter be accorded to the nationals, corporations and associations of such other High Contracting Party and no less favorable than are or may hereafter be

accorded to the nationals, corporations and associations of any third country. However, corporations and associations of either High Contracting Party which do not have a permanent establishment, branch or agency within the territories of the other High Contracting Party shall be permitted to exercise the rights and privileges accorded by the preceding sentence without any requirement of registration or domestication. In the case of any controversy susceptible of settlement by arbitration, which involves nationals, corporations or associations of both High Contracting Parties and is covered by a written agreement for arbitration, such agreement shall be accorded full faith and credit by the courts within the territories of each High Contracting Party, and the award or decision of the arbitrators shall be accorded full faith and credit by the courts within the territories of the High Contracting Party in which it was rendered, provided the arbitration proceedings were conducted in good faith and in conformity with the agreement for arbitration.

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#### ARTICLE VII

The dwellings, warehouses, factories, shops, and other places of business, and all premises thereto appertaining, of the nationals, corporations and associations of either High Contracting Party, located in the territories of the other High Contracting Party, shall not be subject to unlawful entry or molestation. There shall not be made any visit to, or any search of, any such dwellings, buildings or premises, nor shall any books, papers or accounts therein be examined or inspected, except under conditions and in conformity with procedures no less favorable than the conditions and procedures prescribed for nationals, corporations and associations of such other High Contracting Party under laws and regulations enforced by the duly constituted authorities within the territories thereof. In no case shall the nationals, corporations or associations of either High Contracting Party in the territories of the other High Contracting Party be treated less favorably with respect to the foregoing matters than the nationals, corporations or associations of any third country. Any visit, search, examination or inspection which may be

permissible under the exception stated in this Article shall be made with due regard for, and in such a way as to cause the least possible interference with, the occupants of such dwellings, buildings or premises or the ordinary conduct of any business or other enterprise.

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#### ARTICLE VIII

1. The nationals, corporations and associations of the United States of America shall be permitted to acquire, hold and dispose of real and other immovable property throughout the territories of the Republic of China upon the same terms as nationals, corporations and associations of the Republic of China; provided that, in the case of nationals of the United States of America domiciled in, and of corporations and associations of the United States of America created or organized under the laws of, a state, territory or possession of the United States of America which does not accord to nationals, corporations and associations of the Republic of China national treatment with respect to the acquisition, ownership and disposition of real or other immovable property, the Republic of China shall not be obligated to accord treatment more favorable than the treatment which is or may hereafter be accorded within such state, territory or possession to nationals, corporations and associations of the Republic of China.

2. If, on the death of any person holding real or other immovable property or interests therein within the territories of either High Contracting Party, such property or interests therein would, either by the applicable laws in such territories or by testamentary disposition, descend or pass to a national, corporation or association of the other High Contracting Party, whether resident or non-resident and whether or not engaged in business within the territories of the High Contracting Party where such property is or such interests therein are situated, were

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such national, corporation or association not disqualified by the laws and regulations enforced by the duly constituted authorities within such territories, then such national, corporation or association shall be allowed a term of three years in which to sell such property or interests therein, this term to be reasonably prolonged if circum-

stances render it necessary, and to withdraw the proceeds thereof, without restraint or interference and exempt from the payment of any estate, succession, probate or administrative taxes or charges other or higher than these which are or may hereafter be imposed in like cases

corporations or associations

upon the nationals,  $\wedge$  of the High Contracting Party in whose territory the property is or the interests therein are situated. The person, corporation or association selling real or other immovable property pursuant to this paragraph shall be permitted, within the period fixed herein, to obtain, in return for the proceeds received therefor, foreign exchange in terms of any currency or currencies which such person, corporation or association may elect, upon the most favorable terms applicable to such currency or currencies at the time such exchange is obtained.

3. Nothing in paragraphs 1 and 2 of this Article shall modify or supersede Article IV of the Treaty of January 11, 1943, between the United States of America and the Republic of China for the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters or the paragraph relating to that Article in the exchange of notes accompanying that Treaty.<sup>9</sup>

4. The nationals of either High Contracting Party

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shall have full power to dispose of personal property of every kind anywhere within the territories of the other High Contracting Party, by testament, donation or otherwise and their heirs, legatees or donees, being persons of whatever nationality or corporations or associations wherever created or organized, whether resident or non-resident and whether or not engaged in business within the territories of the High Contracting Party where such property is situated, shall succeed to such property, and shall be permitted to take possession thereof, either by themselves or by others acting for them, and to retain or dispose of it at their pleasure, exempt from any restrictions, taxes or charges other or higher than those to which the heirs, legatees or donees of nationals of such other High Contracting Party are or may hereafter be subject in like

<sup>9</sup> Signed at Washington. Department of State Treaty Series No. 984, or 57 Stat. 767.

cases. The nationals, corporations, and associations of either High Contracting Party shall be permitted to succeed, as heirs, legatees and donees, to personal property of every kind within the territories of the other High Contracting Party, left or given to them by nationals of such other High Contracting Party or by nationals of any third country, and shall be permitted to take possession thereof, either by themselves or by others acting for them, and to retain or dispose of it at their pleasure, exempt from any restrictions, taxes or charges other or higher than those to which the nationals, corporations and associations of such other High Contracting Party are or may hereafter be

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subject in like cases. In the event of the death of a national of either High Contracting Party the recipients, by testament or otherwise, of his personal property located within the territories of the other High Contracting Party shall be determined by the laws and regulations enforced by the duly constituted authorities at the place of his domicile.

5. The nationals, corporations and associations of either High Contracting Party shall, subject to the exception in paragraph 2 of Article X, receive treatment, in respect of all matters which relate to the acquisition, holding, leasing, possession or disposition of personal property, no less favorable than the treatment which is or may hereafter be received by nationals, corporations and associations of any third country.

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#### ARTICLE IX

The Government of each High Contracting Party shall, throughout its territories, accord to the nationals, corporations and associations of the other High Contracting Party effective protection in the exclusive use of the inventions, trade marks, trade labels and trade names of such nationals, corporations and associations; unauthorized manufacture, use or sale of such inventions, or imitation or falsification of such trade marks, trade labels and trade names shall be prohibited, and effective remedy therefor shall be provided by civil action. The Government of each High Contracting Party shall also, throughout its

territories, accord to the nationals, corporations and associations of the other High Contracting Party effective protection in the enjoyment of rights with respect to the literary and artistic works of such nationals, corporations and associations; unauthorized reproduction, translation, sale, diffusion or use of such literary and artistic works shall be prohibited, and effective remedy therefor shall be provided by civil action. In any case, the nationals, corporations and associations of either High Contracting Party shall enjoy, throughout the territories of the other High Contracting Party, all rights and privileges of whatever nature in regard to copyrights, patents, trade marks, trade labels, trade names and other literary, artistic and industrial property, upon compliance with the applicable laws and regulations, if any, respecting registration and other formalities which are or may hereafter be enforced by the duly constituted authorities, upon terms

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no less favorable than are or may hereafter be accorded to the nationals, corporations and associations of such other High Contracting Party, and no less favorable than are or may hereafter be accorded to the nationals, corporations and associations of any third country.

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#### ARTICLE X

1. The nationals of either High Contracting Party residing within the territories of the other High Contracting Party, and the nationals, corporations and associations of either High Contracting Party engaged in business or in scientific, educational, religious or philanthropic activities within the territories of the other High Contracting Party, shall not be subject to the payment of any internal taxes, fees or charges other or higher than these which are or may hereafter be imposed by laws and regulations enforced by the duly constituted authorities upon the nationals, corporations and associations of such other High Contracting Party. Moreover, in the case of corporations and associations specified in the preceding sentence, such taxes, fees or charges shall not be imposed upon or measured by any income, property, capital or other criterion of measurement in excess of that reasonably allocable or apportion-



able to the territories of such other High Contracting Party.

2. The nationals, corporations and associations of either High Contracting Party shall not be subject to the payment of any internal taxes, fees or charges imposed by laws and regulations enforced by the duly constituted authorities within the territories of the other High Contracting Party other or higher than those which are or may hereafter be imposed upon the nationals, residents, corporations and associations of any third country, except that the foregoing provisions of this

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paragraph shall not apply to any advantage in respect of internal taxes, fees or charges which is or may hereafter be granted to the nationals, residents, corporations or associations of any third country, either (a) pursuant to legislation extending the same advantage to all countries, or to the nationals, residents, corporations or associations thereof, on the basis of reciprocity, or (b) in a treaty or other agreement concluded with such third country for the avoidance of double taxation or the mutual protection of revenue.

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#### ARTICLE XI

Commercial travelers representing manufacturers, merchants and traders domiciled in the territories of either High Contracting Party shall, on their entry into and sojourn in the territories of the other High Contracting Party and on their departure therefrom, be accorded treatment no less favorable than the treatment which is or may hereafter be accorded to commercial travelers of any third country in respect of customs and other privileges and, subject to the exception in paragraph 2 of Article X, in respect of all taxes and charges of whatever denomination applicable to them or to their samples.

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#### ARTICLE XII

1. The nationals of either High Contracting Party shall, throughout the territories of the other High Contracting Party, be permitted to exercise liberty of

conscience and freedom of worship, and they may, whether individually, collectively or in religious corporations or associations, and without annoyance or molestation of any kind by reason of their religious belief or otherwise, conduct religious services and give religious or other instruction, either within their own houses or within any other appropriate buildings, provided that their religious and educational activities are not contrary to public morals and that their educational activities are conducted in conformity with the laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities.

2. The High Contracting Parties declare their adherence to the principles of freedom of the press and of free interchange of information. To this end, nationals, corporations and associations of either High Contracting Party shall have the right within the territories of the other High Contracting Party, to engage in such activities as writing, reporting, and gathering of information for dissemination to the public, and shall enjoy freedom of transmission of material for publication and for the radio. Furthermore, the nationals, corporations and associations of either High Contracting Party shall enjoy freedom of publication in the territories of the other High Contracting Party, in accordance with

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the applicable laws and regulations, upon the same terms as nationals, corporations or associations of such other High Contracting Party. The term "information", as used in this paragraph, shall include all forms of written communications, printed matter, motion pictures and photographs.

3. The nationals of either High Contracting Party shall be permitted within the territories of the other High Contracting Party to bury their dead according to their religious customs in suitable and convenient places which are or may hereafter be established and maintained for the purpose, subject to the mortuary and sanitary laws and regulations, if any, which are or may hereafter be enforced by the duly constituted authorities.

4. Places of worship and cemeteries shall be held in respect and free from disturbance or profanation.

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## ARTICLE XIII

With respect to that form of protection granted within the territories of either High Contracting Party by the applicable laws establishing civil liability for bodily injuries or for death, and giving to relatives or heirs or dependents of an injured person a right of action or a pecuniary compensation, such relatives or heirs or dependents of the injured person, himself a national of either High Contracting Party and injured within any of the territories of the other High Contracting Party, shall, regardless of their alienage or residence outside of the territory where the injury occurred, enjoy the same rights and privileges as are or may hereafter be granted under like conditions to nationals of such other High Contracting Party.

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## ARTICLE XIV

1. The nationals of each High Contracting Party shall be exempt from compulsory military or naval training or service under the jurisdiction of the other High Contracting Party, and shall also be exempt from all contributions in money or in kind imposed in lieu thereof.

2. During any period of time when both of the High Contracting Parties are, through military or naval action in connection with which there is general compulsory military or naval service, (*a*) enforcing measures in pursuance of obligations for the maintenance of international peace and security, or (*b*) concurrently conducting hostilities, against the same third country or countries, provisions of paragraph 1 of this Article shall not apply. However, in such an event the nationals of either High Contracting Party in the territory of the other High Contracting Party, who have not declared their intention to acquire the nationality of such other High Contracting Party, shall be exempt from military or naval service under the jurisdiction of such other High Contracting Party if within a reasonable time prior to their induction for such service they elect, in lieu of such service, to enter the military or naval service of the High Contracting Party of which they are nationals. In any such situation the High Contracting Parties will

make the necessary arrangements for giving effect to the provisions of this paragraph.

3. Nothing in this Article shall be construed to affect the right of either High Contracting Party to

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debar from acquiring its citizenship any person who seeks and obtains exemption in accordance with the provisions of paragraphs 1 or 2 of this Article.

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#### ARTICLE XV

The High Contracting Parties reaffirm their adherence to a program of purposes and policies, open to participation by all other countries of like mind, designed to bring about an expansion of international trade on a broad basis, and directed to the elimination of all forms of discriminatory treatment and monopolistic restrictions in international commerce. To that end, the High Contracting Parties bind themselves to maintain, as the basis of their commercial relations, the principle in its unconditional and unlimited form of according to each other treatment no less favorable than the treatment which is or may hereafter be accorded to any third country.

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#### ARTICLE XVI

1. In all matters relating to (*a*) customs duties and subsidiary charges of every kind imposed on imports or exports and in the method of levying such duties and charges, (*b*) the rules, formalities, and charges imposed in connection with the clearing of articles through the customs, and (*c*) the taxation, sale, distribution or use within the country of imported articles and of articles intended for exportation, each High Contracting Party shall accord to articles the growth, produce or manufacture of the other High Contracting Party, from whatever place arriving, or to articles destined for exportation to the territories of such other High Contracting Party, by whatever route, treatment no less favorable than the treatment which is or may hereafter be accorded to like articles the growth, produce or manufacture of, or destined for, any third country. If the government of

either High Contracting Party requires documentary proof of origin of imported articles, the requirements imposed therefor shall be reasonable and shall not be such as to constitute an unnecessary hindrance to indirect trade.

2. With respect to the matters referred to in paragraph 1 of this Article, the nationals, corporations and associations of either High Contracting Party shall be accorded, within the territories of the other High Contracting Party, treatment no less favorable than the treatment which is or may hereafter be accorded to the nationals, corporations and associations of such other High Contracting Party, and the nationals, corporations

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and associations, vessels and cargoes of either High Contracting Party shall be accorded, within the territories of the other High Contracting Party, treatment no less favorable than is or may hereafter be accorded to the nationals, corporations and associations, vessels and cargoes of any third country.

3. No prohibition or restriction of any kind shall be imposed by either High Contracting Party on the importation, sale, distribution or use of any article the growth, produce or manufacture of the other High Contracting Party, or on the exportation of any article destined for the territories of the other High Contracting Party, unless the importation, sale, distribution or use of the like article the growth, produce or manufacture of all third countries, or the exportation of the like article to all third countries, respectively, is similarly prohibited or restricted.

4. If the Government of either High Contracting Party imposes any quantitative regulation on the importation or exportation of any article, or on the sale, distribution or use of any imported article, it shall as a customary practice give public notice of the total quantity or value of such article permitted to be imported, exported, sold, distributed or used during a specified period, and of any change in such quantity or value. Furthermore, if either High Contracting Party allots a share of such total quantity or value to any third country, it shall allot to the other High Contracting Party, with respect to any article in which

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the latter has an important interest, unless it is mutually agreed to dispense with such an allotment, a share based upon the proportion of the total quantity or value supplied by, or in the case of exports a share based upon the proportion exported to, the territories of such other High Contracting Party during a representative period, account being taken in so far as practicable of any special factors which may have affected or may be affecting the trade in that article. The provisions of this paragraph relating to imported articles shall also apply in respect of limitations upon the quantity or value of any article permitted to be imported free of duty or tax, or at a specified rate of duty or tax.

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## ARTICLE XVII

1. Laws, regulations of administrative authorities and decisions of administrative or judicial authorities of each High Contracting Party pertaining to the classification of articles for customs purposes or to rates of duty shall be published promptly in such a manner as to enable traders to become acquainted with them. Such laws, regulations and decisions shall be applied uniformly at all ports of the respective High Contracting Parties except as otherwise specifically provided for in statutes of the United States of America with respect to the importation of articles into its insular territories and possessions.

2. No administrative ruling by the Government of either High Contracting Party effecting advances in rates of duties or charges applicable under an established and uniform practice to imports originating in the territories of the other High Contracting Party, or imposing any new requirement with respect to such importations, shall as a general rule be applied to articles the growth, produce or manufacture of the other High Contracting Party already en route at the time of publication thereof in accordance with paragraph 1; provided that, if either High Contracting Party customarily exempts from such new or increased obligations, articles entered for consumption or withdrawn from warehouse for consumption during a period of thirty days after the date of such

publication such practice shall be considered full compliance with this paragraph. The provisions of this

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paragraph shall not apply to administrative orders imposing antidumping duties, or relating to regulations for the protection of human, animal or plant life or health, or relating to public safety, or giving effect to judicial decisions.

3. Each High Contracting Party shall provide some procedure, administrative, judicial or otherwise, under which the nationals, corporations and associations of the other High Contracting Party, and importers of articles the growth, produce or manufacture of such other High Contracting Party, shall be permitted to appeal against fines and penalties imposed by the customs authorities, confiscations by such authorities and rulings of such authorities on questions of customs classification and of valuation of articles for customs purposes. Greater than nominal penalties shall not be imposed by either High Contracting Party in connection with any importation by the nationals, corporations or associations of the other High Contracting Party, or in connection with the importation of articles the growth, produce or manufacture of such other High Contracting Party, because of errors in documentation which are obviously clerical in origin or with regard to which good faith can be established.

4. The Government of each High Contracting Party will accord sympathetic consideration to such representations as the Government of the other High Contracting Party may make with respect to the operation or administration of import or export prohibitions or restrictions, quantitative regulations, customs regulations or formalities,

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or sanitary laws or regulations for the protection of human, animal or plant life or health.

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#### ARTICLE XVIII

1. Articles the growth, produce or manufacture of either High Contracting Party, imported into the territories of the other High Contracting Party, shall be accorded treatment with respect to all matters affecting

internal taxation, or the sale, distribution or use within such territories, no less favorable than the treatment which is or may hereafter be accorded to like articles the growth, produce or manufacture of such other High Contracting Party.

2. Articles grown, produced or manufactured within the territories of either High Contracting Party in whole or in part by nationals, corporations and associations of the other High Contracting Party, or by corporations and associations organized or participated in by such nationals, corporations and associations, shall be accorded within such territories treatment with respect to all matters affecting internal taxation, or the sale, distribution or use therein, or exportation therefrom, no less favorable than the treatment which is or may hereafter be accorded to like articles grown, produced or manufactured therein in whole or in part by nationals, corporations and associations of the High Contracting Party within the territories of which the articles are grown, produced or manufactured, or by corporations and associations organized or participated in by such nationals, corporations and associations. The articles specified in the preceding sentence shall not in any case receive treatment less favorable than the treatment which is or

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may hereafter be accorded to like articles grown, produced or manufactured in whole or in part by nationals, corporations and associations of any third country, or by corporations and associations organized or participated in by such nationals, corporations and associations.

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#### ARTICLE XIX

1. If the Government of either High Contracting Party establishes or maintains any form of control of the means of international payment or of international financial transactions, it shall accord fair and equitable treatment to the nationals, corporations and associations and commerce of the other High Contracting Party with respect to all aspects of such control.

2. The Government establishing or maintaining such control shall impose no prohibition, restriction or delay on the transfer of payment for any article the growth,



produce or manufacture of the other High Contracting Party which is not imposed on the transfer of payment for the like article the growth, produce or manufacture of any third country. With respect to the rates of exchange and with respect to taxes or charges on exchange transactions, articles the growth, produce or manufacture of the other High Contracting Party shall be accorded treatment no less favorable than the treatment which is or may hereafter be accorded to like articles the growth, produce or manufacture of any third country. The provisions of this paragraph shall also extend to the application of such control to payments necessary for or incidental to the importation of articles the growth, produce or manufacture of the other High Contracting Party. In general, any such control shall be administered so as not to influence to the disadvantage of the other High Contracting Party the competitive relationships between articles the growth, produce or manufacture of

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such other High Contracting Party and like articles the growth, produce or manufacture of any third country.

3. In all that relates to the transfer of profits, dividends, interest, payments for imported articles, and of other funds, to loans and to any other international financial transactions, between the territories of the two High Contracting Parties or between the territories of the High Contracting Party the Government of which establishes or maintains the control referred to in paragraph 1 of this Article and the territories of any third country, such Government establishing or maintaining the control shall accord to the nationals, corporations and associations of the other High Contracting Party treatment no less favorable than the treatment which is or may hereafter be accorded to its own nationals, corporations and associations, and no less favorable than the treatment which is or may hereafter be accorded to the nationals, corporations and associations of any third country which make or receive like transfers and loans, and which are parties to like transactions, between the territories of the same two countries. Moreover, the Government establishing or maintaining such control shall accord, to the nationals, corporations and associations of the other High Contracting Party in all that relates

to any such transfers, loans and other transactions between the territories of the two High Contracting Parties, treatment no less favorable than the treatment which is or may hereafter be accorded to the nationals, corporations and associations of any third country which

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make or receive like transfers and loans, and which are parties to like transactions, between the territories of the High Contracting Party the Government of which establishes or maintains the control and the territories of such third country. The treatment accorded by this paragraph shall apply to the rates of exchange and to any prohibition, restriction, delay, tax or other charge on the transfers, loans and other transactions covered by this paragraph; and such treatment shall apply whether the transfers, loans and other transactions take place directly or through an intermediary or intermediaries in a country or countries not parties to this Treaty. In general, any such control shall be administered so as not to influence to the disadvantage of the other High Contracting Party the competitive relationships between the nationals, corporations and associations of such other High Contracting Party and the nationals, corporations and associations of any third country.

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#### ARTICLE XX

1. If the Government of either High Contracting Party establishes or maintains a monopoly or public agency for the importation, exportation, purchase, sale, distribution or production of any article, or grants exclusive privileges to any agency to import, export, purchase, sell, distribute or produce any article, such monopoly or agency shall accord to the commerce of the other High Contracting Party fair and equitable treatment in respect of its purchases of articles the growth, produce or manufacture of foreign countries and its sales of articles destined for foreign countries. To this end the monopoly or agency shall, in making such purchases or sales of any article, be influenced solely by considerations, such as price,

quality, marketability, transportation and terms of purchase or sale, which would ordinarily be taken into account by a private commercial enterprise interested solely in purchasing or selling such article on the most favorable terms.

2. The Government of each High Contracting Party, in the awarding of concessions and other contracts, and in the purchasing of supplies, shall accord fair and equitable treatment to the nationals, corporations and associations and to the commerce of the other High Contracting Party as compared with the treatment which is or may hereafter be accorded to the nationals, corporations and associations and to the commerce of any third country.

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#### ARTICLE XXI

1. Between the territories of the High Contracting Parties there shall be freedom of commerce and navigation.

2. Vessels under the flag of either High Contracting Party, and carrying the papers required by its national law in proof of nationality, shall be deemed to be vessels of that High Contracting Party both within the ports, places and waters of the other High Contracting Party and on the high seas. As used in this Treaty, "vessels" shall be construed to include all vessels of either High Contracting Party whether privately owned or operated or publicly owned or operated. However, the provisions of this Treaty other than this paragraph and paragraph 5 of Article XXII shall not be construed to accord rights to vessels of war or fishing vessels of the other High Contracting Party; nor shall they be construed to extend to the nationals, corporations and associations, vessels and cargoes of, or to articles the growth, produce or manufacture of, such other High Contracting Party any special privileges restricted to national fisheries or to the products thereof.

3. The vessels of either High Contracting Party shall have liberty, equally with the vessels of any third country, to come with their cargoes to all ports, places and waters of the other High Contracting Party which are or may hereafter be open to foreign commerce and navigation.

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## ARTICLE XXII

1. The vessels and cargoes of either High Contracting Party shall, within the ports, places and waters of the other High Contracting Party, in all respects be accorded treatment no less favorable than the treatment accorded to the vessels and cargoes of such other High Contracting Party, irrespective of the port of departure or the port of destination of the vessel, and irrespective of the origin or the destination of the cargo.

2. No duties of tonnage, harbor, pilotage, light-house, quarantine, or other similar or corresponding duties or charges, of whatever kind or denomination, levied in the name or for the profit of the government, public functionaries, private individuals, corporations or establishments of any kind, shall be imposed in the ports, places and waters of either High Contracting Party upon the vessels of the other High Contracting Party, which shall not equally and under the same conditions be imposed upon national vessels.

3. No charges upon passengers, passenger fares or tickets, freight moneys paid or to be paid, bills of lading, contracts of insurance or re-insurance, no conditions relating to the employment of ship brokers, of whatever nationality, and no other charges or conditions of any kind, shall be imposed in a way tending to accord any advantage to national vessels as compared with the vessels of the other High Contracting Party.

4. Within the ports, places and waters of each High Contracting Party which are or may hereafter be

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open to foreign commerce and navigation, competent pilots shall be made available to take the vessels of the other High Contracting Party into and out of such ports, places and waters.

5. If a vessel of either High Contracting Party shall be forced by stress of weather or by reason of any other distress to take refuge in any of the ports, places or waters of the other High Contracting Party not open to foreign commerce and navigation, it shall receive friendly treatment and assistance and such supplies and materials for repair as may be necessary

and available. This paragraph shall apply to vessels of war and fishing vessels, as well as to vessels as defined in paragraph 2 of Article XXI.

6. In no case shall the treatment accorded to the vessels and cargoes of either High Contracting Party with respect to the matters referred to in this Article be less favorable than the treatment which is or may hereafter be accorded to the vessels and cargoes of any third country.

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#### ARTICLE XXIII

1. It shall be permissible, in the vessels of either High Contracting Party, to import into the territories of the other High Contracting Party, or to export therefrom, all articles which it is or may hereafter be permissible to import into such territories, or to export therefrom, in the vessels of such other High Contracting Party, without being liable to any other or higher duties or charges whatsoever than if such articles were imported or exported in vessels of such other High Contracting Party.

2. Bounties, drawbacks and other privileges of this nature of whatever kind or denomination which are or may hereafter be allowed, in the territories of either High Contracting Party, on articles imported or exported in national vessels shall also and in like manner be allowed on articles imported or exported in vessels of the other High Contracting Party.

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#### ARTICLE XXIV

1. Vessels of either High Contracting Party shall be permitted to discharge portions of cargoes at any ports, places or waters of the other High Contracting Party which are or may hereafter be open to foreign commerce and navigation, and to proceed with the remaining portions of such cargoes to any other such ports, places or waters, without paying other or higher tonnage dues or port charges in such cases than would be paid by national vessels in like circumstances, and they shall be permitted to load in like manner, in the same voyage outward, at the various ports, places and waters which are or may hereafter be open to foreign commerce and

navigation. The vessels and cargoes of either High Contracting Party shall be accorded, with respect of the matters referred to in this paragraph, treatment in the ports, places and waters of the other High Contracting Party no less favorable than the treatment which is or may hereafter be accorded to the vessels and cargoes of any third country.

2. Should either High Contracting Party accord the rights of inland navigation or coasting trade to vessels of any third country such rights would similarly be accorded to the vessels of the other High Contracting Party. The coasting trade and inland navigation of each High Contracting Party are excepted from the requirement of national treatment and are to be regulated according to the laws of each High Contracting Party in relation thereto. It is agreed, however, that vessels of either

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High Contracting Party shall enjoy within the territory of the other with respect to the coasting trade and inland navigation treatment as favorable as the treatment accorded to the vessels of any third country.

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#### ARTICLE XXV

There shall be freedom of transit through the territories of each High Contracting Party by the routes most convenient for international transit (*a*) for persons, whether or not they are nationals of the other High Contracting Party, together with their baggage, directly or indirectly coming from or going to the territories of such other High Contracting Party, (*b*) for persons who are nationals of the other High Contracting Party, together with their baggage, regardless of whether they are coming from or going to the territories of such other High Contracting Party, and (*c*) for articles directly or indirectly coming from or going to the territories of such other High Contracting Party. Such persons, baggage and articles in transit shall not be subject to any transit duty, to any unnecessary delays or restrictions, or to any discrimination in respect of charges, facilities or any other matter; and all charges and regulations prescribed in respect of such persons, baggage or

articles shall be reasonable, having regard to the conditions of the traffic. Except as agreed by the High Contracting Parties with respect to non-stop flight by aircraft, in the convention signed \_\_\_\_\_, the Government of either High Contracting Party may require that such baggage and articles be entered at the proper customhouse and that they be kept either under bond or in customs custody, but such baggage and articles shall be exempt from all customs duties

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or similar charges if they are exported within one year and satisfactory evidence of such exportation is presented to the customs authorities. Such nationals, baggage, persons and articles shall be accorded treatment with respect to all charges, rules and formalities in connection with transit no less favorable than the treatment accorded to the nationals of any third country, together with their baggage, or to persons and articles coming from or going to the territories of any third country.

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#### ARTICLE XXVI

1. Nothing in this Treaty shall be construed to prevent the adoption or enforcement of measures:
  - (a) relating to the importation or exportation of gold or silver;
  - (b) relating to the traffic in arms, ammunition and implements of war, and, in exceptional circumstances, all other military supplies;
  - (c) necessary in pursuance of obligations for the maintenance of international peace and security, or for the protection of the essential interests of the country in time of national emergency; or
  - (d) to give effect to Article VII of the International Monetary Agreement drawn up at the United Nations Monetary and Financial Conference at Bretton Woods, July 1 to 22, 1944.<sup>10</sup>
2. Subject to the requirement that, under like circumstances and conditions, there shall be no arbitrary discrimination by either High Contracting Party against

<sup>10</sup> Agreement signed at Washington December 27, 1945, Department of State Treaties and Other International Acts Series No. 1501, or 60 Stat. (pt. 2) 1401.

the other High Contracting Party or against the nationals, corporations, associations, vessels or commerce thereof, in favor of any third country or the nationals, corporations, associations, vessels or commerce thereof, the provisions of this Treaty shall not extend to prohibitions or restrictions:

- (a) imposed on moral or humanitarian grounds;
- (b) designed to protect human, animal, or plant life or health;
- (c) relating to prison-made goods; or

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- (d) relating to the enforcement of police or revenue laws.

3. The provisions of this Treaty according treatment no less favorable than the treatment accorded to any third country shall not apply to:

- (a) advantages which are or may hereafter be accorded to adjacent countries in order to facilitate frontier traffic; or
- (b) advantages accorded by virtue of a customs union of which either High Contracting Party may, after consultation with the Government of the other High Contracting Party, become a member so long as such advantages are not extended to any country which is not a member of such customs union.

4. The stipulations of this Treaty do not extend to advantages now accorded or which may hereafter be accorded by the United States of America, its territories or possessions or the Panama Canal Zone to one another or to the Republic of Cuba. The provisions of this paragraph shall continue to apply in respect of any advantages which are or may hereafter be accorded by the United States of America, its territories or possessions or the Panama Canal Zone to one another, irrespective of any change which may take place in the political status of any of the territories or possessions of the United States of America.

5. The provisions of this Treaty shall not be construed to accord any rights or privileges to corporations and associations engaged in political activities or with

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respect to the organization of or participation in such corporations and associations. Moreover, each High



Contracting Party reserves the right to deny any of the rights and privileges accorded by this Treaty to any corporation or association created or organized under the laws and regulations of the other High Contracting Party which is directly or indirectly owned or controlled, through majority stock ownership or otherwise, by persons who are not nationals of such other High Contracting Party.

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ARTICLE XXVII

Subject to any limitation or exception provided in this Treaty or hereafter agreed upon between the Governments of the High Contracting Parties, the territories of the High Contracting Parties to which the provisions of this Treaty extend shall be understood to comprise all areas of land and water under the sovereignty or authority of either of the High Contracting Parties, except the Panama Canal Zone.

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ARTICLE XXVIII

Any dispute between the Governments of the two High Contracting Parties as to the interpretation or application of this Treaty, which is not satisfactorily adjusted by diplomacy, shall be submitted to arbitration or judicial settlement pursuant to any treaty of pacific settlement which may be in force between the High Contracting Parties.

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ARTICLE XXIX

1. This Treaty shall, upon its entry into force, supersede the following treaties and other agreements between the United States of America and the Republic of China :

- (a) Treaty of Peace, Amity and Commerce, signed at Wang Hiya, July 3, 1844; <sup>11</sup>
- (b) Treaty of Peace, Amity and Commerce, signed at Tientsin, June 18, 1858; <sup>12</sup>
- (c) Treaty Establishing Trade Regulations and Tariff, signed at Shanghai, November 8, 1858; <sup>13</sup>

<sup>11</sup> Hunter Miller (ed.), *Treaties and Other International Acts of the United States of America*, vol. 4, p. 559.

<sup>12</sup> *Ibid.*, vol. 7, p. 793.

<sup>13</sup> *Ibid.*, vol. 8, p. 21.

- (d) Treaty of Trade, Consuls and Emigration, signed at Washington, July 28, 1868; <sup>14</sup>
- (e) Immigration Treaty, signed at Peking, November 17, 1880; <sup>15</sup>
- (f) Treaty as to Commercial Intercourse and Judicial Procedure, signed at Peking, November 17, 1880; <sup>16</sup>
- (g) Treaty as to Commercial Relations, signed at Shanghai, October 8, 1903; <sup>17</sup>
- (h) Treaty Establishing Rates of Duty on Imports Into China, signed at Washington, October 20, 1920; <sup>18</sup> and
- (i) Treaty Regulating Tariff Relations, signed at Peiping, July 25, 1928. <sup>19</sup>

2. Nothing in this Treaty shall be construed to limit or restrict in any way the rights, privileges and advantages accorded by the Treaty for the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters and accompanying exchange of notes

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between the United States of America and the Republic of China signed at Washington on January 11, 1943.

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#### ARTICLE XXX

1. This Treaty shall be ratified, and the ratifications thereof shall be exchanged at \_\_\_\_\_ as soon as possible.

2. This Treaty shall enter into force on the day of the exchange of ratifications, and shall continue in force for a period of five years from that day.

3. Unless one year before the expiration of the aforesaid period of five years the Government of either High Contracting Party shall have given notice to the Government of the other High Contracting Party of intention to terminate this Treaty upon the expiration of the aforesaid period, the Treaty shall continue in force thereafter until one year from the date on which

<sup>14</sup> William M. Malloy (ed.), *Treaties, Conventions, etc., Between the United States of America and Other Powers, 1776-1909* (Washington, Government Printing Office, 1910), vol. I, p. 234.

<sup>15</sup> *Ibid.*, p. 237.

<sup>16</sup> *Ibid.*, p. 239.

<sup>17</sup> *Foreign Relations*, 1903, p. 91.

<sup>18</sup> *Ibid.*, 1921, vol. I, p. 459.

<sup>19</sup> *Ibid.*, 1928, vol. II, p. 475.

notice of intention to terminate it shall have been given by either High Contracting Party.

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IN WITNESS WHEREOF the respective Plenipotentiaries have signed this Treaty and have affixed hereunto their seals.

DONE in duplicate, in the English and Chinese languages, both equally authentic, at Chungking, this day of \_\_\_\_\_, one thousand nine hundred forty-five, corresponding to the day \_\_\_\_\_ of the month of the thirty \_\_\_\_\_ year of the Republic of China.

[Enclosure 2]

*Memorandum to the Embassy at Chungking for Use in Negotiating Treaty of Friendship, Commerce and Navigation*

#### Preamble

The preamble follows in general the form used in a number of commercial treaties, e. g. that with Germany, 1923<sup>20</sup> (44 Stat. (pt. 3) 2132), with Hungary, 1925<sup>21</sup> (44 Stat. (pt. 3) 2441), with Finland, 1934<sup>22</sup> (49 Stat. (pt. 2) 2659), with Liberia, 1938<sup>23</sup> (54 Stat. (pt. 2) 1739).

#### Article I

Par. 1. Although there have been comparable provisions in many of the older treaties of the United States and in some recent executive agreements, it has not been customary to include such a paragraph as this one in treaties of friendship, commerce and navigation to which the United States is a party. However, the inclusion of the paragraph is appropriate in view of the close political relations between China and the United States.

Par. 2. According to present practice of the United States, provisions concerning diplomatic representation are not ordinarily included in treaties of friendship, commerce and navigation. The paragraph has been included in the present draft treaty partly in view of the fact that China has comparable provisions in some of her new commercial treaties. As the language indicates, the standards

<sup>20</sup> Signed at Washington, December 8, 1923, *Foreign Relations*, 1923, vol. II, p. 29.

<sup>21</sup> Signed at Washington, June 24, 1925, *ibid.*, 1925, vol. II, p. 341.

<sup>22</sup> Signed at Washington, February 13, 1934, Department of State Treaty Series No. 868.

<sup>23</sup> Signed at Monrovia, August 8, 1938, *ibid.*, No. 956.

for determining the "rights, privileges, exemptions and immunities" is international law. The word "accorded" emphasizes the element of actual international practice.

## Article II

Par. 1. The statement as to the right of entry is qualified by the provisions in paragraph 4 of the same article. Reference to the "whole extent" of the territories of each party follows closely the wording of Article V of the Treaty for the Relinquishment of Extraterritorial Rights in China, signed January 11, 1943, and emphasizes that the provisions of the proposed treaty would be applicable throughout all territories under Chinese jurisdiction and not limited to specific areas. The statement of the right to "carry on trade" is a reassertion of what is provided in Article V of the Treaty for the Relinquishment of Extraterritorial Rights in China. The right to reside, travel and carry on trade is to be enjoyed without any interference in the form of governmental action inconsistent with the right. In the United States aliens must have registration cards with them at all times, just as an American citizen registered under the Selective Service Act of the United States must have his draft card and be able to present it at all times. A change of residence by a registered alien in the United States must be reported. The registration certificate is not, however, a "travel document" in the sense in which these words are used in the treaty. It is a document of identification. The requirement that such identification document be carried is not necessarily restricted to the category of emergency measures.

Par. 2. The phrase "without interference" is used in substantially the same sense as in paragraph 1. Rights to engage in certain types of activities, such as agriculture, mining, public utility enterprises, and the ownership and operation of vessels of United States registry, are not included. (Mining is the subject of provisions in Article IV, paragraph 2, and in Article V.) "Processing" is intended to include manipulation short of manufacturing.

It is inadvisable to omit the word "regulations" and refer only to "laws", as even in time of peace there are in the United States many administrative regulations to which both nationals and aliens are subject. The words, "if any," should preclude an interpretation which would deny the right as to engagement in an activity with respect to which there are *no* laws or regulations actually enforced.

The right of nationals of one party in the territory of the other party to employ agents or employees "of their own choice" is accorded under a number of commercial treaties of the United States. The additional words, "regardless of nationality," would, of course, imply no right of a national or corporation of either party to send into the

territory of the other party, or to maintain there, an alien of a country which did not have, by treaty or otherwise, the right for its nationals to reside and travel in the territory of such other party.

Provisions in existing treaties of the United States comparable with this paragraph have been held by American courts not to accord the right of employment on public works. It is not intended that the present paragraph should give rights to aliens as contractors with, or employees of, governmental agencies, such as educational or public works authorities.

Par. 3. The inclusion of this paragraph has the effect of according national treatment or most-favored-nation treatment, whichever is more favorable to the beneficiary. This is in harmony with treaties which the United States has signed with a number of countries, beginning with the treaty concluded with Germany in 1923.

Par. 4. The exception concerning immigration is usual in commercial treaties of the United States.

The words "trade between the United States of America and the Republic of China" are comparable with those in the treaty with Finland, 1934, by which nationals of each party acquire in the territory of the other rights of entry, travel and residence "for the purpose of carrying on trade between the two countries" (49 Stat. (pt. 2) 2659). The word "trade" is used in the present paragraph because it is the term used in the United States Immigration Act of 1924 as amended (43 Stat. 154; 47 Stat. 607; 54 Stat. 711; 8 U.S.C. 203) which permits the entry of so-called treaty aliens for the purpose indicated.

The final clause in the paragraph is desirable in order to preclude the application to Chinese persons and persons of Chinese descent of the so-called "barred zone" provisions of the Act of February 5, 1917, which might become operative as the result of the termination of the Immigration Treaty of 1880 (22 Stat. 826) as provided in Article XXIX of the present draft.

### Article III

Par. 1. Rights of corporations and associations as set forth in the draft are broader than those agreed upon in previous commercial treaties of the United States. The language of the draft which defines corporations and associations is designed for use in post-war commercial treaties generally, not merely in that with China.

Par. 3. The last sentence of the paragraph is new in American commercial treaties. It is designed to give to Chinese corporations treatment as favorable as that accorded by the states of the Union to corporations organized under the laws of sister states. The position of such corporations is governed by state law, as limited to some extent by American constitutional law.

It is intended that the provisions of this Article shall apply to the activities of governmental corporations of one party within the territory of the other party. However, the intention is that the standard of treatment for foreign corporations (and also for foreign-controlled domestic corporations under Article IV) shall be the rights and privileges accorded to domestic private corporations, and shall not include special privileges granted only to domestic corporations which are owned or controlled by the government.

#### Article IV

Par. 1. In keeping with the general effort, through the treaty, to promote business activities in corporate as well as other forms, there is in this Article a broad provision as to participation, by nationals and corporations of one party, in corporate enterprise in the territory of the other party. As used in this paragraph, the words, "in conformity with the applicable laws and regulations . . . upon the same terms as nationals, corporations and associations of any third country," are intended to mean only such laws as do not discriminate against nationals, corporations or associations of either party in the territories of the other, as compared with aliens of other nationalities.

Par. 2. The first sentence proposes a right for one party's nationals, corporations or associations to organize, control and manage domestic corporations of the other engaged in described kinds of enterprises (which do not include certain activities such as shipping, public utilities or agricultural) in the other party's territories. The right is exercisable in conformity with applicable laws and regulations, which limitation would permit distinctions between nationals and aliens, provided the latter were allowed actually to control through some lawful means, such as "dummy incorporators", voting trusts or other common corporate practices.

The remainder of the paragraph relates to the carrying on of the listed types of corporate enterprise, and here the standard is national treatment. "Mining", as here used, is intended to include extraction of petroleum products. "Applicable" laws and regulations means applicable not solely to corporations in which aliens have some control, but to all corporations engaged in the mentioned activities.

#### Article V

In this most-favored-nation provision on the subject of "exploration for and exploitation of" mineral resources, the quoted language is adopted from the legislation of the United States and has been used in past treaties. It is intended to have the same meaning as the word "mining", as that word occurs in the last paragraph of the preceding article.

## Article VI

Par. 1. The paragraph has been so drafted as to record adherence to international law as a standard of protection, but without making the second sentence coterminous in scope with the first. The specifically-mentioned safeguards to accused persons are fewer than those in such a treaty as that with Peru, signed in 1887<sup>24</sup> (25 Stat. 1444; Article XV). Specific reference to *certain* rights of accused persons is not to be understood as excluding others which may be had under international law (since the words "to these ends" emphasize that the protection indicated in the first sentence of the paragraph is not restricted to that indicated in the second sentence, or to that under the "laws and regulations enforced").

Par. 2. The first sentence is declaratory of international law on the subject matter. The statement is different from the standard provision found in other commercial treaties of the United States only in the addition of "prompt" before "payment" (a reasonable application of the substantive rule), and "effective" before "compensation" (which is intended to mean that the compensation shall comprise reparation sufficient to place the expropriated person in a position substantially as good as that in which he was before the taking of his property). This is essentially an application of the law on the general subject as applied by the Permanent Court of International Justice in the Chorzow Factory Case (Permanent Court of International Justice Publications, Series A, No. 17, pp. 4, 27).

The provision concerning the right of nationals of either party to obtain foreign exchange, after an expropriation by the other party, is designed to give point to the rule concerning reparation. It is the plan of this Government to include such a provision in its post-war commercial treaties. The phrase "without restraint or interference" would not prevent the collection of a non-discriminatory income tax upon profit which an alien might make by reason of his receiving, for property taken, compensation substantially greater than the price paid for the property.

Par. 3. Whereas in the first paragraph of the Article the standard is a combination of international law treatment and specific rights of individuals, and in the second paragraph the standard is an absolute one, the third paragraph requires that this treatment may never be less favorable than national treatment and most-favored-nation treatment.

Par. 4. Provisions for access to courts follow logically the relinquishment by the United States of its rights of extraterritoriality in China. The present provision is an elaboration of the provision in

<sup>24</sup> Signed at Lima, August 31, 1887, Malloy, *Treaties, 1776-1909*, vol. II, p. 1431.

Article IV of the treaty with Thailand, signed November 13, 1937,<sup>25</sup> with an additional provision according to which corporations and associations which have no representatives, in the territory of the other party, or which have representatives there only transiently, are not to be required to go through the process of registration or domestication merely in order to receive the benefit of the rule concerning judicial remedies which the paragraph asserts.

The final sentence, concerning commercial arbitration, is new in a treaty of this type, but is expected to be a feature of draft commercial treaties which the United States will propose to other countries in the post-war period. The rule asserted is to apply in the case of a controversy susceptible of settlement by arbitration and which is covered by a written agreement for arbitration. Furthermore, to come within the treaty provision, the controversy must involve both Americans and Chinese as parties in interest. The final proviso leaves to any court, wherein an arbitral agreement or award of the kind indicated in the treaty is invoked, competence to protect against fraud and to see that proceedings leading to an award have been in conformity with the parties' agreement.

#### Article VII

This article follows substantially the language which has become standard in commercial treaties. Reference may be made to Article III of the Treaty with Norway, 1928<sup>26</sup> (47 Stat. (pt. 2) 2135) and to Article III of the Treaty with Liberia, 1938 (54 Stat. (pt. 2) 1739).

#### Article VIII

Par. 1. The language is designed to cover all rights as to real or other immovable property not covered elsewhere in the treaty. In many of the states of the American Union Chinese nationals now receive the same treatment as American nationals in the matter of real property. In return, the United States proposes national treatment in China for the nationals, corporations and associations of the United States, but with a permissive exception as to those identifiable (through domicile in the case of natural persons, and incorporation in the case of artificial persons) with states, territories and possessions which do not accord national treatment in this respect to Chinese. As to nationals, corporations and associations coming within the exception, China's obligation under the treaty would be measured by what Chinese nationals, corporations and associations receive in the respective states, territories and possessions of the United States.

<sup>25</sup> Signed at Bangkok, Department of State Treaty Series No. 940, or 53 Stat. (pt. 3) 1731.

<sup>26</sup> Signed at Washington, June 5, 1928, *Foreign Relations*, 1928, vol. III, p. 646.



Par. 2. The greater part of this paragraph consists of material which has become standard in commercial treaties of the United States (e. g. that with Norway, 1928 (47 Stat. (pt. 2) 2135), and Poland, 1931<sup>27</sup> (48 Stat. (pt. 2) 1507), Article IV, paragraph 1 in each case) except that provision has been made for clearly indicating that the rule covers corporations and associations, as well as individuals, receiving such property. The final sentence is designed to assure that what is provided in the preceding part of the paragraph shall not be illusory. The matter of exchange control is the subject of comment in this memorandum on paragraph 2 of Article VI and on Article XIX of the draft treaty.

Par. 4. The paragraph follows substantially the standard language (as in the second paragraph of Article IV of the Treaty with Norway, 1928), except that the provisions are somewhat broadened by the extension of rights to corporations or associations, and, in the second sentence, by granting rights with respect to property received from nationals of a third country. The provisions of the first sentence would allow a non-Chinese heir of a Chinese national to inherit upon the same terms as he might inherit from an American national, and would not make residence or the carrying on of business within the territory a condition of benefiting from the treaty rule. The general formula differs from the language of the Norwegian treaty to the extent that it specifies that in certain cases the law of domicile of the decedent shall govern in deciding questions of descent. Although such a provision has not appeared in recent treaties of the United States, it is planned to include it in proposals to other countries.

Par. 5. Most-favored-nation treatment is here specified with respect to personal property in general, including those matters with respect to which national treatment has been proposed; most-favored-nation treatment would become the standard in the event aliens of any other nationality should receive better than national treatment.

#### Article IX

For inventions, trade marks, trade labels and trade names there is asserted (1) a general standard of "effective" protection in "exclusive use", against unauthorized reproduction or sale, and (2) "in any case", national treatment in these matters. In a somewhat shorter form, national treatment was provided for in the Thailand Treaty of 1937 (53 Stat. (pt. 3) 1731, Article IX), and in the treaty of 1911 with Japan<sup>28</sup> (37 Stat. [(pt. 2)] 1504, Article XV).

The basic differences between industrial property and property in "literary and artistic" works justifies a separate statement concerning

<sup>27</sup> Signed at Washington, June 15, 1931, *Foreign Relations*, 1931, vol. II, p. 938.

<sup>28</sup> Signed at Washington, February 21, 1911, *Foreign Relations*, 1911, p. 315.

the latter, and to this extent the plan followed is different from that of the treaty with Thailand. Nationals of one party who are owners of works copyrighted in the territories of the other party are to be protected there against the reproduction of such works by any means and against translations. The treaty reference to laws and regulations concerning registration and other formalities does not admit of a construction which would assert *conditions* for alien applicants which would be different from those applied to nationals in like circumstances.

The scope of "literary and artistic works" may be indicated by reference to the language of the Bern Convention (*77 Br. & For. St. Paps.*, 22, 123 L.N.T.S. 233), or by reference to a description drafted by a group of authors and users, and adopted by a research committee set up by the Rockefeller Foundation in 1938. This description was as follows:

" . . . The terms 'literary and artistic works' include all productions in the literary, scientific, and artistic domain, whatever the mode or form of expression, such as: Books, pamphlets, composite works, encyclopedic works, directories, gazetteers, and other compilations; Periodicals, including newspapers and similar serial publications containing miscellaneous matter and issued at regular intervals of less than one year; Lectures, sermons, addresses, and works of like nature prepared for oral delivery; dramatic or dramatico-musical compositions and dramatizations; Musical compositions with or without words; Drawings, plans, sketches or plastic works of a scientific or technical character; maps and geographic charts; Works of art, drawings, paintings, engravings, sculptural works; models or designs for works of art; and reproductions thereof; Photographs; Prints, pictorial illustrations and lithographs; Scenarios, continuities, programs and other works prepared for radio broadcasting, radio facsimile, wired radio, telephony, television or any other means of transmitting or communicating the same; Scenarios and continuities for motion pictures; Motion pictures, with or without sound; Works of architecture, or models, or designs for architectural works, insofar as they embody artistic character and are not processes or methods of construction; Choreographic works and pantomimes, the scenic arrangement and acting form of which is fixed in writing."

The word "reproduction" includes reproduction by any photographic or photo-offset process. Authorized reproduction would normally imply that the name of the author and of the publisher of the original work would appear on the copy, as on the original work. The reference to "translations" is intended to assert that permission must be obtained from the owner or author before there could be a first translation, and that no subsequent translation could be made without similar consent. Use of the word "sale" is intended to connote, as it does in the practice of copyright in the United States, that the author

or owner of a literary or artistic work, in his contract for publication, could retain all other rights to use or authorize the use of a work, e. g. to dramatize it or reproduce it as a motion picture.

#### Article X

Par. 1. This article is an elaboration of a provision which has long been standard in American commercial treaties (illustrated in the first article of various treaties, such as those with Germany, 1923, Poland, 1931, Thailand, 1937). The purpose of the first sentence is to provide national treatment with respect to all taxes or fiscal regulations in the case of corporations as well as of individuals. The second sentence of the paragraph applies only to corporations and associations, and is designed to preclude the imposition upon a foreign bank or corporations of taxes based upon income, property or capital greater than that which is reasonably allocable or apportionable to the business or other activity within the taxing country. It does not necessarily preclude the taxing state's taking into account the fact of the entire income, property or capital of an enterprise, but is designed to prevent the measurement of taxes by reference to what is outside the taxing country, and to assure that property outside the country or income from outside the country will not afford a valid reason for unreasonably increasing domestic taxes.

The carrying on of business by foreign corporations has been the subject of comment in connection with Article III of the present draft treaty. The requirement of national treatment would not permit discriminatory taxation of such branches by reason of their local activity.

Par. 2. The term "residents" is included in this paragraph because in laws and treaties privileges as to tax matters are frequently accorded in terms of residence rather than nationality.

To the most-favored-nation provision there is an exception to permit purely reciprocal treaties with third states of the type which the United States has now made with a number of countries for the purpose of avoiding double taxation and preventing fiscal evasion in the case of income taxes (e. g. the convention and protocol signed with Canada, March 4, 1942,<sup>29</sup> 56 Stat. [(pt. 2)] 1399), and to permit comparable reciprocal exemptions pursuant to general provision in fiscal legislation.

#### Article XI

This follows the short form of the standard provision on the subject. The exception is justifiable on the grounds which sustain the exception in Article X, paragraph 2.

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<sup>29</sup> Signed at Washington, Treaty Series No. 983.

## Article XII

Par. 1. Except for the clause providing against activities contrary to public morals, the liberty of conscience and freedom of worship are on an unconditional basis, as they are under comparable provisions of other treaties, e. g. Article I, paragraph 5 of the treaty with Thailand, and Article V of the treaty with Liberia. Educational activities are, however, to be conducted "in conformity with the laws and regulations . . ."

Par. 2. Objectives of this paragraph are accordant with the First Amendment of the United States Constitution and with Article 13 of the Chinese Constitution promulgated May 5, 1936. Provisions concerning the principles of freedom of the press and of free interchange of information do not appear in previous commercial treaties of the United States. They are in harmony with a resolution adopted by the United States Senate on September 21, 1944 (*Cong. Rec.*, V. 90, p. 5155 [8044]), and with the official endorsement by the Chinese Information Minister of the principle of free interchange of news among all nations (Associated Press dispatch from Chungking, September 22, 1944). While the right of writing, reporting and gathering of information for dissemination to the public is proposed in unqualified form, the right of publication is on a national treatment basis under "applicable laws and regulations", i. e. laws applicable to both treaty aliens and nationals. The phrase, "for the radio", at the end of the second sentence is not intended to imply any right of nationals of one party to operate a broadcasting station within the territory of the other party.

Par. 3. The provision concerning sepulture is not substantially different from standard provisions on this subject.

Par. 4. This addition to the usual form of language does not appear in recent treaties made by this country, but is a desirable provision supplementary to what appears in the preceding paragraph.

## Article XIII

The purpose of the Article is primarily to extend benefits of workmen's compensation legislation to nationals of one of the parties in the territories of the other. The language is broad enough to cover compensation as required by general law in the other fields of liability insurance. The present provision is substantially similar to that of other treaties of the United States, e. g. that with Norway, 1928 (47 Stat. (pt. 2) 2135), and that with Finland, 1934 (49 Stat. (pt. 2) 2659).

## Article XIV

Par. 1. This paragraph is not substantially different from the provisions of certain other commercial treaties of the United States, e. g.

that with the Argentine Republic, 1853<sup>30</sup> (Article X), that with Spain, 1902<sup>31</sup> (Article V, par. 1) and that with Thailand, 1937 (Article I, par. 4). Some treaties made in recent years, e. g. that with Germany, 1923 (Article VI) gave the right, in the case of war with a third state, for either party state to draft nationals of the other party state who have their permanent residence in its (the belligerent state's) territory, if such persons have declared their intention to acquire the nationality of that state by naturalization, and unless such persons depart from the territories of the state in which they are resident within sixty days after a declaration of war. The exception proposed in the present paragraph applies to nationals of either party within the other party's jurisdiction, regardless of whether they have declared intention to acquire the citizenship of the state of residence.

Par. 2. This is in harmony with the Proposals for the Establishment of a General International Organization, which China and the United States, together with Great Britain and the Union of Soviet Socialist Republics, agreed upon at Washington on October 9, 1944,<sup>32</sup> as tentative bases for subsequent discussion in conference. In order to bring into operation the rules of the paragraph, both of the parties must be engaged in action for these purposes (or "concurrently conducting hostilities", an alternative which would apply to continuance of the present war against the common enemies), against the same third country or countries. By its terms, the paragraph would only apply to a party which resorted to general conscription. The plan of the paragraph is consistent with the plan of bilateral agreements for military service which the United States has since 1941 concluded with twenty other United Nations, including China.<sup>33</sup> It is conceivable that, in a situation such as that envisaged in this paragraph, the laws of the two co-operating states would be divergent in the matter of age requirements, physical standards of fitness for military service, etc. It is also possible that for a period of time there might be a practical impossibility of returning from one country to the other for the purpose of joining the army of an individual's own country. In either set of circumstances, the individual would not forfeit the rights set forth in the paragraph. His mere *election* to serve in the armies of the state of his nationality would be sufficient to gain for him an exemption from involuntary military service in the other country.

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<sup>30</sup> Signed at San José, July 27, 1853, Miller, *Treaties*, vol. 6, p. 269.

<sup>31</sup> Signed at Madrid, July 3, 1902, Malloy, *Treaties*, 1776-1909, vol. II, p. 1701.

<sup>32</sup> See Department of State *Bulletin*, October 8, 1944, p. 367.

<sup>33</sup> The Military Service Agreement with China was effected by exchanges of notes signed at Washington, November 6, 1943, and May 11 and June 13, 1944, Department of State Executive Agreement Series No. 426, or 58 Stat. [pt. 2] 1442.

Par. 3. It has long been the policy of the United States to deny the privilege of naturalization to aliens who, being within its territories when the United States is at war, have declined to serve in its armies under a law providing for compulsory military service. It will be noted that, in order to come under the provision concerning debarment in this paragraph, an individual must *seek* and *obtain* the exemption.

#### Article XV

The first sentence is, in terms a reaffirmation of "purposes and policies". In an agreement signed June 2, 1942,<sup>34</sup> concerning Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression (56 Stat. [(pt. 2)] 1494), the United States and China envisaged (in Article VII) agreed action looking to "the elimination of all forms of discriminatory treatment in international commerce", to "the reduction of tariffs and other trade barriers", and to "the attainment of economic objectives identical with those set forth in the Joint Declaration made on August 4 [14], 1941, by the President of the United States of America and the Prime Minister of the United Kingdom".<sup>35</sup>

The policy of the United States is that of a strong advocate of private enterprise and of freedom from monopolistic restrictions, which would welcome advocacy of such enterprise, and of such freedom from monopolistic restrictions, by all other states. In a letter of September 6, 1944, to the Secretary of State, President Roosevelt said,<sup>36</sup> in part:

"During the past half century the United States has developed a tradition in opposition to private monopolies. The Sherman<sup>37</sup> and Clayton<sup>38</sup> Acts have become as much a part of the American way of life as the due process clause of the Constitution. By protecting the consumer against monopoly these statutes guarantee him the benefits of competition.

"This policy goes hand in glove with the liberal principles of international trade for which you have stood through many years of public service. The trade agreement program has as its objective the elimination of barriers to the free flow of trade in international commerce; the anti-trust statutes aim at the elimination of monopolistic restraints of trade in interstate and foreign commerce."

In the same letter, President Roosevelt said that, "Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed." A letter of President Roosevelt to Mr. Crowley<sup>39</sup> of the

<sup>34</sup> Department of State Executive Agreement Series No. 251.

<sup>35</sup> Department of State *Bulletin*, August 16, 1941, p. 125.

<sup>36</sup> Department of State *Bulletin*, September 10, 1944, p. 254.

<sup>37</sup> Approved July 2, 1890; 26 Stat. 209.

<sup>38</sup> Approved October 15, 1914; 38 Stat. 730.

<sup>39</sup> Leo T. Crowley, Administrator of the Foreign Economic Administration.

Foreign Economic Administration, made public on September 29, 1944,<sup>40</sup> contained the following paragraph:

“International trade on as full and free a basis as possible is necessary not only as a sound economic foundation for the future peace, but it is also necessary in order that we may have fuller production and employment at home. Private industry and private trade can, I am sure, produce a high level of international trade, and the Government should assist to the extent necessary to achieve this objective by returning international commerce to private lanes as rapidly as possible.”

The language of Article XV of the proposed bilateral treaty with China is accordant with these objectives. It is capable of integration with the general commercial treaty policy of the United States. That policy is indicated in Mutual-Aid Agreements with a number of countries (including the Union of Soviet Socialist Republics<sup>41</sup>), which contain language similar to that quoted above from the Mutual Aid Agreement with China, and in the United Nations Declaration of January 1, 1942,<sup>42</sup> (55 Stat. (pt. 2) 1600), to which China and the United States are parties.

#### Article XVI

Par. 1. This Article is an adaptation of what appears in a number of trade agreements in force, e. g. that with the Argentine Republic, 1941<sup>43</sup> (56 Stat. [(pt. 2)] 1685), Article III, and that with Mexico, 1942<sup>44</sup> (57 Stat. [(pt. 2)] 833), Article III. The language here used is somewhat broader, in its coverage of goods intended for exportation, than the standard language of commercial treaties and trade agreements of the United States. The words, “from whatever place arriving,” as to imports (which words have been included in some trade agreements, e. g. that with the United Kingdom,<sup>45</sup> 54 Stat. (pt. 2) 1897), and the new language, “by whatever route”, are intended to assure that provisions of the paragraph shall apply both to goods continuously in transit and to goods which have been or will be unloaded and reloaded, repacked, reloaded, repacked and warehoused, whether or not shipment to territories of either party was contemplated when the articles left the country of origin.

The sentence concerning documentary proof of origin is limitative in purpose with respect to requirements which may be enforced in connec-

<sup>40</sup> Department of State *Bulletin*, October 1, 1944, p. 354.

<sup>41</sup> Signed at Washington, June 11, 1942, Department of State Executive Agreement Series No. 253, or 56 Stat. (pt. 2) 1500.

<sup>42</sup> Signed at Washington, Department of State Executive Agreement Series No. 236.

<sup>43</sup> Signed at Buenos Aires, October 14, 1941, *ibid.*, No. 277.

<sup>44</sup> Signed at Washington, December 23, 1942, *ibid.*, No. 311.

<sup>45</sup> Signed at Washington, November 17, 1938, *ibid.*, No. 164.

tion with imports. While comparable statements do not appear in trade agreements, provisions along this line are in Article VI, par. 10 of the treaty of 1931 with Poland. The rule of the present paragraph does not expressly state that the most-favored-nation treatment mentioned therein is unconditional (as has been done in most recent commercial treaties and agreements of the United States). However, here and in other parts of the treaty where there are references to most-favored-nation treatment, such treatment is intended to be unconditional except where the contrary is clearly indicated (see Article X, par. 2). Article XV indicates that the commercial articles are based on the principle of unconditional most-favored-nation treatment.

Par. 2. This paragraph is designed to assure to nationals, corporations and associations of one party within the other party's territories the benefits of both national and most-favored-nation treatment with respect to the matters relating to importation and exportation covered in the preceding paragraph. Most-favored-nation treatment is also accorded to the vessels and cargoes of one party within the jurisdiction of the other. The most-favored-nation provisions of this paragraph are comparable with provisions in several commercial treaties (e. g. in Article VII, par. 7, of the treaty of 1928 with Norway), except for a broader coverage as to the treatment of imported goods and for the extension of rights to corporations and associations. Although the provision as to national treatment has not appeared in recent treaties, this Government expects to propose it to other governments in the future; such treatment is referred to in Article I, par. 2, of the 1928 tariff treaty between the United States and China<sup>46</sup> (45 Stat. [(pt. 2)] 2742).

Par. 3. Articles forbidding the imposition of "prohibitions" which are not applicable to the products of third countries have been in many commercial treaties and agreements, including the treaty of 1815 with Great Britain<sup>47</sup> (8 Stat. 228; 18 Stat. (pt. 2) 292). In recent years this rule has been applied to "restrictions" as well as to prohibitions.

Par. 4. This follows in substance the standard provisions in trade agreements as to publicity relating to quotas and the allocation thereof. The words, "in which the latter has an important interest," mean that an allocation need not be made to one party if the imports therefrom to the other party's territories are negligible. It is the policy of the United States to use quotas only in exceptional circumstances. For allocating a quota on imports, a "representative period" would be any period during which the distribution of imports of the product among the various sources of supply may be considered generally typical of

<sup>46</sup> Signed at Peking, July 25, 1928, *Foreign Relations*, 1928, vol. II, p. 475.

<sup>47</sup> Signed at London, July 3, 1815, Miller, *Treaties*, vol. 2, p. 595.



the distribution which would normally exist in the absence of a quota. For example, in describing the executive order of August 21, 1941<sup>48</sup> allocating the coffee quota for countries not signatories to the inter-American Coffee Agreement of November 28, 1940<sup>49</sup> (55 Stat. 1143) the Department explained:

"The quotas are expressed as percentages of the total quota . . . The percentages correspond to the proportion of coffee imports into the United States from countries which are not signatories of the Agreement supplied during the four-year period 1937-40 by each of the groups of countries to which allocations are made by the executive order.

"The allocations established by the executive order are designed to afford each non-signatory country an opportunity to supply a fair share of the total quota for such countries and, at the same time, to ensure adequate supplies of certain special types of coffee needed in this country for blending purposes." (6 [5] Department of State *Bulletin*, 148, Aug. 23, 1941.)

#### Article XVII

Par. 1. This follows the language of the trade agreement with Mexico (Article VI, par. 1) except that since the treaty covers territorial possessions of the United States outside its customs territory and hence not covered by the trade agreement, the exception to the requirement of uniformity here applies to all insular territories and possessions instead of to Puerto Rico alone. (The requirement of publication should be read in relation to the comment on public notice in paragraph 4 of Article XVI.)

Par. 2. This follows substantially the language of Article VI, paragraph 2 of the trade agreement with Mexico, except that the words, "shall be effective retroactively", are omitted, and there is a more specific provision as to articles en route at the time of advances in existing rates of duty or at the time of the imposition of any new requirement. The qualifying words, "as a general rule", permit some exceptions in the administration of laws and regulations in exceptional circumstances.

Par. 3. Provision for an appeal procedure is in terms sufficiently broad to allow of some choice of means, provided the substantive rule be applied. Those parts of the final sentence applicable to foreign goods follow language which has been used in several trade agreements.

Par. 4. This, in general, follows the wording which has become standard in trade agreements (illustrated in Article VI, par. 1 of the trade agreement signed with the Argentine Republic in 1941).

<sup>48</sup> Executive Order No. 8863, 6 *Federal Register*, 4320.

<sup>49</sup> Signed at Washington, Department of State Treaty Series No. 970.

## Article XVIII

Par. 1. This proposes national treatment as the standard for the taxation and other treatment, in the territory of one party, of goods imported from the other. Most-favored-nation treatment with respect to such matters is provided for in Article XVI, par. 1. The provisions together constitute an expansion of the rule which has become standard in commercial treaties (e. g. that of 1928 with Norway, Article VIII, and that of 1938 with Liberia, Article XIII) and trade agreements (e. g. that of 1942 with Mexico, Article II) as to taxation, in the territory of one party, of imports from the other party's territory.

The provisions of this paragraph are not intended to prevent legislative provisions giving domestic goods a preference in governmental purchases, considerations here being similar to those which determine that Article II does not apply as to employment by either government. (Rules applicable to government purchases are stated in Article XX.)

Par. 2. This paragraph proposes national treatment (or most-favored-nation treatment, if that is more favorable than national treatment) in the internal taxation of, and with respect to other matters relating to, articles grown, produced or manufactured within one party state by nationals, corporations or associations of the other party, or by domestic corporations controlled by such nationals, corporations or associations.

## Article XIX

Par. 1. The formula, "fair and equitable treatment", which appears in this paragraph, states a general principle, to which effect is sought to be given in the following paragraphs of the Article.

Par. 2. With slight changes of language this follows Article IV, paragraph 2 of the trade agreement with Mexico and is designed to prevent exchange discrimination by one party against goods coming from the other. This purpose may generally be achieved by according most-favored-nation treatment, but some matters, such as exchange rates, do not lend themselves to a simple application of such a rule. The final sentence of the paragraph, therefore, reiterates the basic purpose that exchange control shall not be made the means of giving a competitive advantage to any third country.

Par. 3. This paragraph sets forth in some detail rules as to non-discriminatory treatment, for the nationals and corporations of one party, in the application of exchange controls by the other party. A few recent treaties and agreements of the United States have contained general statements as to exchange treatment of nationals (e. g. Article X of the treaty of 1938 with Liberia). It is intended to propose more detailed provisions, as here used, for inclusion in future treaties. Both national and most-favored-nation standards are applicable for the

nationals and corporations of one party carrying on transactions (such as the transmission of profits) between the territory of the two parties, or between the territory of one of them and that of a third state. Furthermore, a national or corporation of one party who transmits dividends between the territories of the two parties is to be accorded, by the other party, treatment comparable with that accorded to the national or corporation of a third state who similarly transmits dividends between the territory of such other party and that of the third state. These rules cover both direct payments and payments made through an intermediary in another country.

#### Article XX

Par. 1. This is, in slightly expanded language, a provision which has become standard in trade agreements and also in general commercial treaties of recent date.

Par. 2. This follows closely the wording of Article V, paragraph 2, of the trade agreement with the Argentine Republic (1941) and of that with Mexico (1942), except that, in view of the fact that a general commercial treaty accords rights to nationals and corporations as well as to commerce, the present language has been changed accordingly.

Reference has been made, in the comments relative to Articles II and XVIII, to the fact that the rules in those articles do not cover transactions with governmental bodies within either party, such as contracts for employment in certain activities or for the purchase of imported articles. The present article does apply to such transactions.

#### Article XXI

This article is generally comparable with standard language of commercial treaties but there are a number of changes. The right stated in the first sentence of paragraph 2 is here proposed for *vessels* instead of for nationals, indicating clearly that the right is not extended to vessels which are owned by nationals of one of the parties but which are registered in a third state. There is a sentence on the meaning of "vessels" and a statement as to non-extension of special privileges under this treaty (other than paragraph 2 of this Article and paragraph 8 of Article XXII) to vessels of war or fishing vessels. Neither party is bound to extend to nationals or products of the other party, any special privileges restricted to national fisheries or to the products thereof.

#### Article XXII

Pars. 1-2. The language follows rather closely that of standard language in commercial treaties, except that there is no restriction to private vessels and cargoes (as, for example, in Article XIV of the

treaty of 1938 with Liberia), and that the term "ports, places and waters", is used instead of "territorial waters and harbors".

Par. 3. This paragraph proposes further protection against discrimination in specific matters. Although it is more detailed than comparable provisions in past treaties have been, this Government intends to include similar language in proposals for future commercial treaties.

Par. 4. References to pilotage duties or charges have frequently been included in commercial treaties (e. g., in Article IX of the 1923 treaty with Germany). The present paragraph refers to the *availability* of pilots, without committing the parties to any duty of compensating pilots for services to vessels of the other party.

Par. 5. This paragraph, the provisions of which apply to vessels generally, without the exclusion of war and fishing vessels, is proposed as a reasonable rule to cover situations growing out of entry because of *force majeure*.

#### Article XXIII

Except that it is expressed in a somewhat shorter form, this is essentially what has appeared in many commercial treaties to which the United States is a party (e. g. in Article II of the treaty of 1815 with Great Britain, and in Article VII of that of 1928 with Norway).

#### Article XXIV

Par. 1. This is substantially the same as the provision which has long been included in American treaties (e. g. in Article XI of the treaty of 1923 with Germany), except that to the usual national treatment provision has been added a most-favored-nation clause.

Par. 2. The language of this paragraph is taken almost without change, from the exchange of notes<sup>50</sup> accompanying the treaty of 1943 for the relinquishment by the United States of its extraterritorial rights in China. It has long been customary to specify most-favored-nation treatment in the subject matter.

#### Article XXV

As compared with the article on transit which was long standard in American treaties (illustrated in Article XVI of the treaty with Germany, 1923), this article proposes freedom of transit not merely for persons and goods which have come from or may be going to the territory of the other contracting state, but also for nationals of either party desiring transit for themselves or their baggage across the territory of the other, regardless of whether such nationals and their baggage have come from or may be going to the territory of the state of which the persons are nationals.

<sup>50</sup> See Department of State Treaty Series No. 984, pp. 16 ff.

As compared with the corresponding part of the treaty of 1938 with Liberia (Article XXI), the present article is considerably shorter, since some of the exceptions mentioned in the treaty with Liberia (e. g. those relating to emergency situations, and as to traffic in arms, munitions and military equipment) are covered in a general exceptions article (XXVI) of the present draft treaty.

It is not intended, through the present article, to create any rights for vehicles. On the other hand, it is not intended to preclude the making of an agreement for non-stop flight across national territory by aircraft, and therefore an exception clause has been inserted, which makes allowance for a possible air navigation convention with China or a multilateral convention on air navigation to which China and the United States may become parties. The permissive statement as to keeping articles either under bond or in customs custody, and the specification of one year as a time limit in connection with reexportation, follow in general the requirements of present United States law.

#### Article XXVI

Par. 1. The first two subsections of this paragraph follow the language of the general exceptions article in the treaty with Liberia. Subsection (*b*) has been worded so as to cover traffic in arms, ammunition and implements of war generally; it is not restricted to export of such materials.

The first part of subsection (*c*) has been substituted for a reference to "war" inserted in order that the treaty may be accordant with the proposals referred to in the comment on paragraph 2 of Article XIV of the present draft. The latter part of the subsection, in which there is a reference to measures for "protection of the essential interests of the country in time of national emergency", follows the language of the trade agreement of 1942 with Mexico (Article XVII (*h*)).

Subsection (*d*) has for its purpose to keep the treaty in harmony with the Bretton Woods (International Monetary) Agreement, but is restricted to action which a state that is a party to that multilateral instrument may take under a single article of the agreement (the article concerning scarce currencies declarations by the International Monetary Fund which may authorize state-imposed limitations on the freedom of exchange operations in the scarce currency, and permissive limitations in pursuance thereof).

Par. 2. The substance of these exceptions is common to both commercial treaties and trade agreements (as illustrated in Article XXII, par. 2 of the treaty of 1938 with Liberia, and Article XV (*b*) through (*c*), of the trade agreement of 1941 with Argentina).

Pars. 3-4. This, with minor changes, follows standard language in commercial treaties and in trade agreements of the United States (e. g. in Article XXII, par. 3 and 4 of the treaty of 1938 with Liberia, and Article XVI of the trade agreement of 1942 with Mexico).

Par. 5. The restriction with respect to corporations and associations engaged in political activities should be read especially in relation to Articles II, III, and IV. The draft treaty proposes no definition of a corporation engaged in political activity, nor formula which might distinguish such a corporation from one engaged in commercial activity. Standard provisions in recent commercial treaties of the United States (e. g. Article XVIII of the treaty with Liberia, 1938) state that provisions as to the organization of, and participation in, domestic corporations and associations accord no rights as to political associations. It is not intended that a government-owned corporation or a municipal corporation should necessarily be regarded as engaged in political activities, and a corporation engaged in political activities merely by reason of some incidental act not essential to its principal purpose would not necessarily be classified as a corporation engaged in such activities for the purpose of this provision.

The permissive exception as to corporations created or organized under the laws and regulations of one of the parties, but owned or controlled by persons not nationals of such party, is to be read especially in connection with Article III. The exception is considered a desirable and necessary limitation, in view of the broad rights for corporations proposed throughout the draft treaty.

#### Article XXVII

This follows substantially the language of the 1938 treaty with Liberia, except that for the words "claim and exercise dominion as sovereign", has been substituted the phrase, "under the sovereignty or authority . . ." The latter wording is used in Article XV of the trade agreement of 1942 with Mexico.

It is customary in those parts of commercial treaties and trade agreements which relate to territorial application, to except the Panama Canal Zone (as illustrated in Article XXXI of the treaty with Finland, 1934, and Article XIII of the trade agreement with Canada, 1935<sup>51</sup>).

#### Article XXVIII

This Article has been so drafted as to envisage the acceptance in the future by China and the United States, of possible new engagements, either in bilateral or multilateral instruments, for the arbitral or judicial settlement of disputes as to treaty interpretation or appli-

<sup>51</sup> Signed at Washington, November 15, 1935, Department of State Executive Agreement Series No. 91, or 49 Stat. 3960.

cation. The method of referring disputes and other matters pertinent to the actual carrying out of the general commitment in the present Article, would presumably be provided for in such treaty or treaties of pacific settlement. Until the parties enter into new agreements on the subject, the Treaty of Arbitration signed by China and the United States June 27, 1930<sup>52</sup> (47 Stat. (pt. 2) 2213) would apply, in so far as it is applicable.

The inclusion of this (compromissory) clause in a general commercial treaty marks a departure from previous practice of the United States in concluding such treaties.

#### Article XXIX

Par. 2. Because of the relative importance of the Treaty for the Relinquishment of Extraterritorial Rights in China, and of the fact that the present treaty is proposed pursuant to a provision of that treaty, it is thought important to make clear that no limitation or restriction upon the earlier treaty is intended.

#### Article XXX

It is proposed that the initial period for which the treaty shall be in force shall be five years, with provision for indefinite continuance thereafter, subject to termination on notice. This is the common rule in general commercial treaties of the United States.

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711.932/3-545 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 5, 1945—2 p. m.

[Received 12 p. m.]

366. We have received Department's airmail instruction 48, February 16 enclosing revised draft.

In order to avoid further delay in presentation we refrain from taking [*making*] comments as to details at this time. We would, however, request that the Department indicate clearly whether it is intended by the provisions of paragraph 2 of Article II to grant to Chinese the right to engage in the United States in all types of "commercial, manufacturing, processing, financial, professional, scientific, educational, religious, and philanthropic work". If so, also please instruct us whether we should be authorized to inform the Chinese that the treaty provisions would override state legislation affecting the right of Allies [*aliens?*] to engage in these various activities. The Chinese are certain to make inquiry and this to our minds is a most important point to be clarified.

ATCHESON

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<sup>52</sup> Signed at Washington, *Foreign Relations*, 1930, vol. II, p. 313.

611.9331/3-2045 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 20, 1945—6 [11?] a. m.

[Received 10:15 a. m.]

464. During a conversation with the Foreign Minister<sup>53</sup> March 19, on a number of subjects I brought up the matter of the draft consular convention<sup>54</sup> (last sentence ReDepts 352, March 1, 8 p. m.<sup>55</sup>), mentioned the length of time that had elapsed since it was presented to the Foreign Office, and remarked that our thought had been that negotiation of it would be comparatively routine and easy and that it was a question that we might well conclude and get off our hands. He was non-committal in reply, saying merely that he would look into the matter and communicate with me later. I propose to raise the question with him again upon presenting the draft commercial treaty when authorization to do so is received (ReDepts, 260, February 16, 3 [2] p. m.<sup>55</sup> and ReEmbs 366, March 5, 2 p. m.), and at that time press the matter more strongly.

ATCHESON

711.932/3-2145 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 21, 1945—8 p. m.

[Received March 21—4:12 a. m.]

470. During a call at the Foreign Office March 20, the Political Vice Foreign Minister<sup>56</sup> raised the question of the Consular Convention and said that the Chinese draft thereof was embodied in the Chinese draft commercial treaty which would be presented to us as soon as the translation was checked (ReEmbs 464, March 20, 11 a. m.). I therefore suggest that we be authorized to present our draft commercial treaty to the Chinese at once, leaving questions of clarification (ReEmbs 366, March 5, 2 p. m.) for subsequent instruction.

ATCHESON

<sup>53</sup> T. V. Soong.<sup>54</sup> For previous documentation on this subject, see *Foreign Relations*, 1944, vol. vi, pp. 1023 ff.<sup>55</sup> Not printed.<sup>56</sup> K. C. Wu.



711.932/3-2145: Telegram

*The Acting Secretary of State to the Chargé in China (Atcheson)*

WASHINGTON, March 27, 1945—5 p. m.

502. Embassy is instructed to present to the Chinese Government as a basis for negotiation, the draft treaty of friendship, commerce and navigation (Reurtel no. 470, March 21) after the following changes have been made in the draft treaty:

In Article II, paragraph 2 (page 3, line 18) delete the word “professional”. In the same paragraph (page 3, line 22) insert after the semicolon following the word “authorities” (page 3, line 22) the words “to engage in every profession not reserved exclusively to nationals of the country”, these inserted words to be followed by a semicolon.

In Article IV, paragraph 1 (page 8, line 2) for the word “within” substitute the word “throughout”.

In Article VI, paragraph 1 (page 11, line 10) for the words “enforced by”, substitute the word “of”.

In Article VI, paragraph 4 (page 13, line 8) for the word “however”, substitute the word “moreover”.

In Article VII (page 14, line 14) for “enforced by” substitute the word “of”.

In Article VIII, paragraph 4 (page 18, line 7) for the words “of his domicile”, substitute the words “where he was domiciled at the time of his death”.

In Article XII, paragraph 2 (page 24, line 20) for the word “within” substitute the word “throughout”.

In Article XVI, paragraph 1 (page 30, line 16) capitalize “G” in word “government”.

In Article XVII, paragraph 3 (page 34, line 12) after the word “imposed” insert the words “upon them”.

In Article XIX, paragraph 3 (page 39, line 23) delete comma after word “accord”, and in the following line (page 39, line 24) insert a comma after the word “Party”.

In Article XXIV, paragraph 1 (page 46, line 14) for the phrase “with respect of” substitute the phrase “with respect to”.

In Article XXV (page 48, line 21) after the words “except as” insert the words “may hereafter be”, and two lines below (page 48, line 23) delete the words “in the Convention signed . . . . .”. In the same Article (page 48, lines 26 and 27) delete the words “either under bond or”, and after the word “custody” delete the comma and insert the words “whether or not under bond” followed by a semicolon before the word “but” in line 27.

In the same Article (page 49, line 1) insert after the word "charges" the words "if such requirements for entry and retention in customs custody are complied with and".

In Article XXIX, paragraph 1 (page 55, line 2) after the word "supersede" insert the words "provisions of". In the same line delete the words "and other agreements". In the same paragraph (page 55, line 4) after the word "China" and before the colon insert the words "in so far as such provisions have not previously been terminated".

Embassy is instructed to present to the Chinese Government, at the same time with the draft treaty, the memorandum for use in negotiating the treaty, after the following changes have been made in that memorandum:

In the comment on Article II, paragraph 2 of the draft treaty, insert in the memorandum a new paragraph to follow the one ending with the word "manufacturing" (page 3, line 7) and to read as follows:

"It is intended that the provision in the present draft treaty as to engaging 'in every profession not reserved exclusively to nationals of the country' shall preclude discriminations against aliens as compared with nationals, short of full exclusion of the former from engaging in any particular profession. In relation to other types of activities in which it is proposed to permit aliens to engage, the part of the paragraph in which there is a reference to the 'exercise' of rights and privileges 'in conformity with the applicable laws and regulations . . . upon the same terms as nationals' would not give to either party a right to impose, upon the nationals of the other, restrictions which were not equally applicable to its own nationals."

In the comment on Article XII, paragraph 2, add to the paragraph which ends on page 17, line 26, the following sentences: "Illustrative enumeration, in the final sentence of the paragraph, of means by which information might be conveyed is not intended to be limitative or exhaustive. Other means, e. g. recordings, would be included."

In the comment on Article XVIII, paragraph 1, insert a paragraph to follow the paragraph which ends with the parenthesis on page 26, line 27, to read as follows:

"Under the Twenty-first Amendment to the Constitution of the United States, broad powers have been granted to the several states of the Union for the purpose of regulating the trade in intoxicating liquors. While the Department of State is unaware of any actual cases in which a state of the Union has enacted legislation discriminating against intoxicating liquors imported from China or any other foreign country as such, certain states have enacted legislation imposing differential taxes or other special requirements applicable to distilled spirits, the product of areas, including other states of the Union, beyond the borders of the enacting states. It is possible that such legislation would be upheld by the courts as valid under the

Twenty-first Amendment to the Constitution. With regard to this matter the provisions of the treaty are not intended to preclude such discriminatory treatment with respect to intoxicating liquors on the part of the states, territories and possessions as may be permitted under the Twenty-first Amendment."

Embassy is requested to inform the Department by telegraph when the draft treaty and explanatory memorandum, as revised in accordance with the present instruction, have been presented to the Chinese.

For the Embassy's information in case the question should arise in the negotiations, the Department intends that the words "to engage in every profession not reserved exclusively to nationals of the country" in Article II, paragraph 2, shall have, in relation to treaties of either of the parties with any third state or states, and in relation to internal laws and regulations, the same effect as a most-favored-nation provision.

Reurtel no. 366 of March 5, it may also be pointed out, in case the question should arise in the negotiations, that in a number of commercial treaties of the United States, e. g. that signed with Germany in 1923, there have been provisions which appear to give aliens national treatment with respect to professional work. Other commercial treaties of this country have given the right on a qualified basis, and still others contain no mention of professional work. In the absence of judicial decisions on the point of whether provisions of any of these treaties confer the right to engage in professional activity despite state legislation to the contrary (such as now exists in a number of states of the Union) the Department prefers not to make a commitment on the point. As to other provisions in Article II, paragraph 2 of the treaty, it is the Department's view that the part of the paragraph in which there is a mention of the "exercise" of rights and privileges "in conformity with the applicable laws and regulations . . . upon the same terms as nationals" would not reserve to either party a right to impose, upon the nationals of the other, restrictions which were not equally applicable to its own nationals. On the point that the treaty provisions would override state laws in the event of a clear conflict, reference may be made in case of inquiry by the Chinese, to Article VI, paragraph 2 of the United States Constitution, to the Supreme Court's decision in *Asakura v. Seattle*, 265 U. S. 332 (1924), and to Hackworth's *Digest of International Law*, volume V, pages 174, 195-196.

711.932/4-345 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, April 3, 1945—2 p.m.

[Received 2:08 p. m.]

567. On the afternoon of April 2 I handed to the Political Vice Foreign Minister the draft treaty "as a basis for negotiation" and as amended pursuant to Department's 502, March 27, 5 p. m. I also handed him an explanatory memorandum with the changes described in that telegram.

Dr. Wu stated that the Chinese draft was almost ready and was being translated from Chinese into English. He said that he hoped that we could get to work on the matter very soon but there was a possibility that the Foreign Minister might wish to wait until after the Conference.<sup>58</sup> I am to see the Foreign Minister tomorrow and may obtain from him more definitive information.

ATCHESON

711.932/4-545

*Memorandum by the Associate Chief of the Division of Commercial Policy (Willoughby) to the Assistant Secretary of State (Acheson)*

[WASHINGTON,] April 5, 1945.

In accordance with instructions from the Department the Embassy at Chungking presented to the Chinese Government on April 2 the draft treaty of friendship, commerce and navigation with China. Although we do not plan to give publicity to the matter, it seems probable that word will get around that a treaty is under consideration.

If you approve, we suggest that you tell Senator Connally,<sup>59</sup> informally and confidentially, that the draft has been given to the Chinese Government and that the Department will want to discuss with him and the other members of the Foreign Relations Committee, before any commitment is made, any important deviation from previous similar treaties which have been approved by the Senate.<sup>60</sup>

The Chinese have indicated that they desire to begin negotiations soon but that it may not be convenient for them to do so until after the San Francisco conference. It may be several months or more before the negotiations have progressed sufficiently to warrant talking to the Foreign Relations Committee.

WOODBURY WILLOUGHBY

<sup>58</sup> The United Nations Conference on International Organization at San Francisco, April 25-June 26, 1945.

<sup>59</sup> Tom Connally, Chairman of the Senate Committee on Foreign Relations.

<sup>60</sup> Marginal notation: "I spoke to Sen. Wagner, Acting Chairman, today—April 24, 1945, D[ean] A[cheson]".

[Conversations regarding the draft treaty were entered into with British Embassy officials by representatives of the Office of Far Eastern Affairs and the Divisions of Commercial Policy and Chinese Affairs on April 20, May 24, July 5 and 31, and August 3. The British at the time were preparing their draft of a commercial treaty to be entered into with China. Discussions were held to exchange views on various provisions of the American draft treaty and to keep the British informed of developments in negotiations with the Chinese. Relevant memoranda of conversation, prepared in the Division of Commercial Policy, are not printed.]

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611.0031/5-2245

*The Assistant Secretary of State (Clayton) to the Chinese Minister for Foreign Affairs (Soong)*<sup>61</sup>

WASHINGTON, May 22, 1945.

MY DEAR DR. SOONG: AS I indicated during our recent conversation, it has occurred to us that in view of your long and intimate knowledge of Chinese-American commercial relations, it might be mutually advantageous if before you and the members of your staff leave the country there could be arranged a discussion of the proposed treaty of friendship, commerce and navigation in which appropriate officers of the Department and such members of your delegation as you would deem appropriate could participate. In view of the highly technical aspects of a treaty of this type, such a discussion might, in addition to permitting a general exchange of views, assist in clarifying a considerable number of points that might otherwise cause delay in the negotiations.

Since you probably do not have with you a copy of the draft treaty which was handed to your Government on April 2, 1945, I am enclosing a copy<sup>62</sup> for your convenience. I also enclose a copy of the memorandum<sup>63</sup> the text of which was handed to your Government at the same time.

Sincerely yours,

W. L. CLAYTON

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611.0031/5-2245

*The Chinese Minister for Foreign Affairs (Soong) to the Assistant Secretary of State (Clayton)*

[SAN FRANCISCO,] May 25, 1945.

DEAR MR. CLAYTON: I am in receipt of your two letters of May 22, one concerning registration of American firms in China,<sup>64</sup> and the

<sup>61</sup> Addressed to Dr. Soong at the United Nations Conference on International Organization at San Francisco.

<sup>62</sup> *Ante*, p. 1259.

<sup>63</sup> *Ante*, p. 1239.

<sup>64</sup> *Ante*, p. 1216.

second concerning draft treaty of friendship and commerce between China and the United States.<sup>65</sup> I also have the enclosed copy of draft treaty and copy of memorandum to the Embassy at Chungking for use in negotiating treaty.

These are having my careful attention and I shall look forward to discussing them with you and your staff when I return to Washington on my way home.

Yours sincerely,

T. V. SOONG

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711.932/5-2945

*Memorandum of Conversations, by the Deputy Director of the Office of Far Eastern Affairs. (Stanton)*<sup>66</sup>

SAN FRANCISCO, May 29, 1945.

In the course of a conversation yesterday afternoon with Dr. Wang Chung-hui, Delegate of China and Secretary General of the Supreme National Defense Council there was informal and general discussion in regard to the negotiation of a new commercial treaty. It was pointed out to Dr. Wang that American firms interested in resuming or developing trade with China after the war were naturally anxious to know on precisely what legal basis they could conduct their business operations. In this connection Mr. Stanton said that the activities of American business enterprises would be based on a new commercial treaty and upon Chinese laws and regulations applicable to activities of foreign companies and corporations and that therefore the negotiation of a commercial treaty and the revision of existing Chinese laws were of great importance to the development of satisfactory commercial relations between the United States and China. Dr. Wang agreed and stated he could well understand the desire of American business concerns to know precisely what commercial laws would be applicable to them and added that he could appreciate the difficulties they were experiencing in planning for the future. As regards the commercial treaty, Dr. Wang expressed his personal opinion that it would be desirable to proceed with its negotiation without too much delay, but added that he had not seen the draft treaty which was presented to the Ministry for Foreign Affairs just before he left Chungking. With respect to commercial laws, Dr. Wang stated that existing commercial legislation was being revised and that certain new legislation was being drafted. He also indicated that translation of Chinese laws into English were proceeding but said that progress on this work was slow.

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<sup>65</sup> *Supra.*

<sup>66</sup> Copy transmitted to the Ambassador in China in Department's instruction No. 167, June 13.

A few days previously Mr. Stanton had a brief conversation with Dr. Wang Hua-ch'eng, who is a technical expert attached to the Chinese Delegation and Director of the Treaty Department of the Ministry of Foreign Affairs, on the subject of the commercial treaty. Dr. Wang said that neither he nor the members of his staff had had time to do more than glance through our draft before he left Chungking. He remarked, however, that our draft appeared to differ considerably from treaties the United States had concluded in recent years with other countries. Mr. Stanton replied that the draft presented did contain some changes and some new provisions but that in general it conformed with other treaties recently concluded. Further informal discussion was arranged with Dr. Wang, but he was suddenly ordered to proceed to London in connection with the activities of the War Crimes Commission and left Washington on May 27.

In view of the departure of Dr. Wang Hua-ch'eng and in view of the fact that neither he nor Dr. Wang Chung-hui have had an opportunity to study our draft it appears unlikely that Dr. Soong or other members of the Chinese Delegation will want to discuss provisions of the draft. It is believed, however, that we should continue to emphasize the desirability of the early consideration and negotiation of the treaty.

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711.932/5-3045

*Memorandum of Conversation, by the Deputy Director of the Office of Far Eastern Affairs (Stanton)* <sup>67</sup>

[SAN FRANCISCO,] May 30, 1945.

During the course of an informal conversation with Dr. Wu <sup>68</sup> in regard to the draft commercial treaty which we presented to the Chinese Ministry of Foreign Affairs on April 2, 1945, Dr. Wu stated he agreed that it was highly desirable that consideration and negotiation of the treaty proceed without too much delay. He indicated that this was also the feeling of Dr. Sun Fo, President of the Legislative Yuan, with whom Dr. Wu is very closely associated.

Dr. Wu informed Mr. Stanton that he had been requested by Dr. Sun Fo to look into the question of ownership of real property by aliens in the United States, having in mind the differing requirements prescribed by the legislation of the various states of the United States. Dr. Wu said that he and Dr. Sun Fo desired information on this

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<sup>67</sup> Copy transmitted to the Ambassador in China in Department's instruction No. 167, June 13.

<sup>68</sup> Dr. John C. H. Wu, Adviser to the Chinese Delegation to the United Nations Conference on International Organization, San Francisco, April 25-June 26, 1945.

question in order that they might be in a position to answer questions which would likely be propounded by their colleagues of the Legislative Yuan in regard to the extent to which Chinese may acquire and own real property in the United States. Dr. Wu said further that both he and Dr. Sun Fo feel very strongly that the conclusion of a treaty with the United States is of particular importance in view of China's dependence upon the United States and the support and assistance which the United States is giving to China.

There ensued some discussion of the complicated nature of this problem and of the formula which appears in our draft treaty regarding real property. Dr. Wu expressed the personal opinion that the provisions in our draft treaty on real property would in all probability be acceptable to the Chinese Government. He said that he and Dr. Sun Fo hoped it would be possible for them to appear before the Legislative Yuan, which as the highest legislative organ of the Chinese Government is responsible for the ratification of treaties, and be able to state that in a majority of the states of the United States Chinese may acquire and own real property. He said he thought this would satisfy those members of the Legislative Yuan who are inclined to insist on full reciprocity in matters of this nature.

Dr. Wu said that he would be glad to continue informal discussions regarding this particular point in Washington after the Conference and would be very grateful for any material the Department could let him have or could refer him to relating to this particular problem.

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711.932/6-1345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 18, 1945—1 p. m.

928. Department has received a letter from Soong dated June 13<sup>69</sup> stating that he has appointed Dr. Kan Lee, Commercial Counselor of Embassy, to begin preliminary discussions with us regarding proposed treaty of friendship, commerce and navigation. Soong states Kan Lee will return to Chungking after conversations to discuss relevant points with various departments of Chinese Government concerned with treaty. This does not change the plan to conduct the negotiations in Chungking.

GREW

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<sup>69</sup> Not printed; it was addressed to the Assistant Secretary of State (Clayton).



611.9331/7-945

*Memorandum of Conversation, by Mr. C. Thayer White of the  
Division of Commercial Policy*<sup>70</sup>

[WASHINGTON,] July 9, 1945

Participants: Dr. Kan Lee, Commercial Counselor of the Chinese Embassy; Mr. Liu; <sup>71</sup> Mr. Sun.<sup>72</sup>  
Mr. Woodard,<sup>73</sup> CA; Mr. Drumright,<sup>74</sup> CA; Mr. Wil-  
loughby, CP; Mr. Wilson,<sup>75</sup> CP; Mr. Hollis,<sup>76</sup> CP;  
Mr. White, CP.

Dr. Lee opened the conversation by asking our view as to the probable date that the treaty negotiations will be concluded. Mr. Willoughby replied that it is our hope to proceed with negotiations as soon as the Chinese Government is ready to do so. Dr. Lee indicated that he felt both parties are certainly willing to proceed as expeditiously as possible and, in this connection, referred to the provision in our treaty with China relinquishing extraterritorial rights which expresses the intention of the two governments to enter into negotiations for a treaty of friendship, commerce and navigation not later than six months after the end of hostilities. In reply to a question, Dr. Lee stated that he would try to expedite negotiations but that he had no information with respect to the plans of his government.

Mr. Drumright asked what departments or ministries of the Chinese Government are interested in the proposed treaty, to which Dr. Lee replied that the Ministries of Foreign Affairs, of Economic Affairs, of Finance, of Justice, of Communications, of Interior, and the Supreme National Defense Council, the War Production Board, Central Planning Board, and the National Resources Commission, etc., would probably all be consulted. He did not know whether the Standing Committee of the Kuomintang would have to approve the Treaty, but indicated that the final approval of the Executive and Legislative Yuans would be essential.

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<sup>70</sup> Marginal notation: "Submitted, before final transcription, to the Chinese officers participating in the conversations, and revised in accordance with their suggestions". Conversations had been carried on with these officers by representatives of the Divisions of Commercial Policy and Chinese Affairs on June 19, 20, 22, and 25; memoranda of these conversations not printed. They deal almost exclusively with article-by-article discussions of the American draft treaty.

<sup>71</sup> Ta-chung Liu, Secretary of the Office of the Commercial Counselor of the Chinese Embassy.

<sup>72</sup> Kung-tu C. Sun, Director of Economic Research for the Chinese National Resources Commission, in the United States on a purchasing mission.

<sup>73</sup> Granville O. Woodard.

<sup>74</sup> Everett F. Drumright.

<sup>75</sup> Robert R. Wilson.

<sup>76</sup> Walter Hollis.

Dr. Lee wondered whether some of the articles in the draft treaty might not be simplified. He expressed the view that two sentiments prevail in Chungking: (1) insistence on equality and (2) caution in entering into commitments which may have an important bearing upon the economic development that is bound to come in future, together with all the implications. He said that the first sentiment is derived from Chinese history (the system of extraterritoriality), while the second sentiment reflects the desire of China not to tie its hands with respect to future policies which it may wish to adopt in order to meet developing economic conditions. Therefore, the provisions of the treaty must be equal (mutual) and must take into account future Chinese economic policy. Dr. Lee went on to say that for these reasons he had directed our attention to certain provisions of the proposed treaty which are not fully reciprocal. For example, he wondered whether the articles with respect to the rights of corporations (Articles III and IV) might not take the form of those included in previous treaties entered into by the United States. Also, in view of the discriminations against banks chartered by other states or foreign countries included in the laws of our states, he wondered whether the word "financial", as brought into Article III by reference to Article II, might be dropped.

Dr. Lee wondered whether the provisions under Article VIII with respect to real and immovable property might be changed to accord most-favored-nation treatment only. Dr. Lee also referred to Article XV and stated that he wished it clearly understood that the provisions with respect to monopolistic restrictions is confined to international commerce and does not apply to domestic commerce. In reply, his attention was drawn to the fact that the Article specifically states "monopolistic restrictions in international commerce" (underlining added).

In answer to a question by Mr. Woodard as to Chinese commercial policy, Dr. Lee replied that the negotiation of a treaty would in itself be a step in the determination of Chinese policy and pointed out that the answer to a number of current questions would be established in the treaty. Dr. Lee said that in his opinion private enterprise will have an important role in the Chinese economy; however, this statement reflected his personal opinion. He said he had been concerned at the possibility that the memorandum for use in negotiating the treaty would have legal standing, with the result that the Chinese Government would be bound by the principles set forth therein with respect to private enterprise and freedom from monopolistic restrictions. In reply, it was indicated that the statements in this regard made on page 21 <sup>77</sup> of the memorandum are merely an assertion of

<sup>77</sup> See second paragraph of comment on Article XV, p. 1300.

the policy of the United States and do not commit the Chinese Government to these views.

Dr. Lee stated that the future policy of the Chinese Government with respect to the use of the conditional versus the unconditional most-favored-nation clause must be determined by the Chinese Government. Dr. Lee said that personally he favored the use of the unconditional clause. Mr. Willoughby asked whether China has not followed the unconditional policy in the past, and referred to a book by Dr. Sze, Tsung-Yu entitled "China and the Most-Favored-Nation Clause" as a possible source of information on the subject. Dr. Lee replied that it was his impression that China had in practice followed the unconditional most-favored-nation policy but he knew of no official pronouncement of this policy.

With respect to Dr. Lee's previous statement regarding mutuality, Mr. Wilson referred again to the fact that we have written this principle into the treaty as fully as possible, although it has been necessary to take into consideration our federal system. Dr. Lee recognized the American efforts at mutuality but said we had to realize "the hard fact" that our system of law has led to necessary modifications which, in effect, make these provisions not fully reciprocal. Dr. Lee asked whether in lieu of Articles III and IV of the draft treaty we could not agree upon provisions similar to Articles 12 and 13 of the United States commercial treaty with Norway. Dr. Lee added that China had some similar provisions with respect to corporations in its treaty with Canada, signed April 1944.<sup>78</sup> Mr. Wilson replied that the provisions in Articles III and IV of the draft represent an attempt to provide liberal treatment with respect to the corporate form of business enterprise; he added that they represent a recognition of the place of the corporation in modern society. Mr. Hollis stated that the Articles are intended to place some limit on the restrictions which might be imposed by either of the contracting parties on the activities which may be carried on by corporations of the other party, whereas the Norwegian treaty provides no protection from such discriminatory laws and regulations.

Dr. Lee thought that China would need American capital in order to reconstruct and develop its economy, and, therefore, favorable treatment would be accorded to American business enterprise regardless of whether the assurances under reference are included in the treaty. However, he felt that because these provisions are not completely reciprocal in their operation, the Chinese Government might have some difficulty in accepting them. Mr. Willoughby pointed out

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<sup>78</sup>Treaty for relinquishment of extraterritorial rights, signed at Ottawa, April 14, 1944, United Nations Treaty Series, vol. 14, p. 407.

that American business is exceedingly anxious to obtain assurances of treatment which will permit operation in China on a fair and reasonable basis and that the conclusion of a treaty with Articles III and IV included would be very reassuring. Dr. Lee indicated that American business had not been deterred from going into foreign countries under the provisions of previous treaties, to which Mr. Willoughby replied that conditions which have previously obtained have been far from perfect. Mr. White added that the special conditions in China growing out of a long period of stress and strain resulting from the war and all of its destructive forces will perhaps cause business to be more cautious in entering China than in entering most other countries. Mr. Hollis referred to a statement made by Dr. Lee that once American companies "took the plunge" without unsatisfactory results other companies would follow suit, and observed that the conclusion of a satisfactory treaty might induce such initial interest; in fact, he felt that satisfactory treaty provisions might not be so necessary after a lapse of several years as they are now.

Dr. Lee again inquired as to whether there might not be some middle ground in case China should not be able to accept Articles III and IV in their present form, and referred to the Norwegian treaty provisions and the Chinese-Canadian Treaty of 1944, which, Dr. Lee pointed out, provide for national treatment with respect to status, access to courts, and taxes. Mr. Willoughby replied that in his opinion the reversion to the Norwegian treaty form would be disappointing to businessmen in the United States interested in doing business in China. Mr. Wilson said that although we would be very glad to refer Dr. Lee to any provisions with respect to the rights of corporations which had been included in previous treaties, he was not authorized to suggest any alternative form which might be included in the proposed treaty.

Mr. Hollis wondered whether Dr. Lee would prefer a change in the language from "upon the same terms as such rights and privileges are or may hereafter be accorded therein to corporations and associations created or organized in other states" etc., to some such language as "upon the same terms as such rights and privileges are or may hereafter be accorded to the companies incorporated in any part of the United States, with the exception of any special privileges which may be granted by a state to its own corporations." Mr. Hollis indicated that such a change would be in language only and the substance would not be affected. Dr. Lee did not comment upon Mr. Hollis' suggestion.

With respect to the suggested deletion of the word "financial", Dr. Lee said that in the United States out-of-state banks generally are not permitted to operate and that unless Chinese banks should be permitted to operate in the United States on a basis similar to that of banks incorporated under federal law, China would receive little

or no benefit under the present language. Mr Wilson observed that if we should agree to Dr. Lee's proposal the Chinese might be accorded better treatment in a particular state than corporations chartered in any of the other 47 states would receive. Mr. Liu said that he had checked the banking laws of thirty states and had found no state which permits the operation of out-of-state banks with the exception of two or three which permit lending operations only. Dr. Lee inquired whether "banking" is covered by the word "commercial". Mr. Hollis said that he had investigated partially and had failed to find any case in this country where the word "commercial" had been so construed. It had, however, been construed to cover life insurance.

With reference to a question asked at a previous meeting, Mr. Hollis stated that the phrase "fair and equitable treatment" had been included in many trade agreements, in the articles relating to exchange control and government monopolies. Mr. Hollis also referred to the previous discussion with respect to the exception in Article XXVI regarding advantages now accorded or which may hereafter be accorded by the United States to the Panama Canal Zone, and stated that one reason for the exception is that imports coming into the Canal Zone from Panama are accorded duty-free treatment under our Treaty of 1936 with that country.<sup>79</sup> He added that all imports, including imports from China, at present enter the Panama Canal Zone free of duty, but that including the Canal Zone under the most-favored-nation clause as to duties might raise problems if this situation should be changed at some future time.

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611.9331/7-2045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, July 20, 1945—6 p. m.

1120. Officers of the Department and Kan Lee have held several conversations regarding proposed commercial treaty. These were informal, without commitment and for the sole purpose of clarifying the meaning and intent of the provisions. Department understands Lee left for Chungking today where he will explain draft treaty to various ministries after which it is hoped negotiations can proceed expeditiously in Chungking. Memoranda of conversations follow.<sup>80</sup>

GREW

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<sup>79</sup> Treaty of friendship and cooperation signed at Washington, March 2, 1936, Department of State Treaty Series No. 945 or 53 Stat. (pt. 3) 1807.

<sup>80</sup> Copies of memoranda of conversation on June 19, 20, 22, and 25 and July 9 transmitted to the Embassy on August 13 by the Division of Commercial Policy under a transmittal slip (Form DS-4). Only the memorandum of July 9 is printed.

711.932/9-1145: Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 11, 1945—4 p. m.

1428. Referring to draft treaty of friendship, commerce and navigation presented to Chinese Government on April 2 Department desires that relative importance of early conclusion of treaty be discreetly emphasized to Chinese Government. Informal conversations concerning the draft, held in Washington between officers of the Department and Kan Lee, who had been designated by Dr. Soong for the purpose, ended on July 9. It is understood Kan Lee has been in Chungking since August 9 for purpose of discussing draft provisions with ministries of Chinese Government.

Business interests in the United States have urged increasing need, with cessation of hostilities, for proceeding without delay to conclusion of a treaty. Department understands that removal of government establishments from Chungking to Nanking may cause considerable delay, and realizes that undue pressure for initiation of formal negotiations might disadvantageously affect our bargaining position, but it will appreciate Embassy's ascertaining, as there is convenient opportunity, whether Chinese Government will be prepared to begin such negotiations within the very near future.

ACHESON

711.932/11-545: Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 5, 1945—8 p. m.

1793. Conclusion within near future of treaty of friendship, commerce and navigation, Deptel 1428, September 11, is matter of increasing concern as American business interests insistently urge that mutually satisfactory treaty is necessary preliminary to trading with China on any considerable scale. Embassy is requested to obtain from Chinese Government if possible some indication of a date which can be agreed upon at least tentatively as time for the beginning of formal negotiations looking to signing of a treaty.

BYRNES

771.932/11-2645: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 26, 1945—2 p. m.

[Received November 26—10:42 a. m.]

2039. Indication of date on which we could begin negotiations for treaty of friendship, commerce and navigation was requested in

Embassy's note of November 17 to Ministry of Foreign Affairs. (ReDeptel 1793, November 5, 8 p. m.) Embassy will take every opportunity to stress the mutual desirability for early opening of these negotiations (please inform Commerce) and will report to Dept as promptly as Ministry's reply is received.

ROBERTSON

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711.932/11-3045

*Memorandum*<sup>81</sup> to General of the Army George C. Marshall, Special Representative of President Truman to China<sup>82</sup>

[WASHINGTON,] November 30, 1945.

General George C. Marshall: In the treaty for the relinquishment by the United States of extra-territorial rights in China, signed January 11, 1943, the United States and China agreed to enter into negotiations for conclusion of a modern commercial treaty "upon the request of either Government or in any case within six months after the cessation of the hostilities in the war against the common enemies . . ." <sup>82a</sup>

Pursuant to this agreement the Department presented to the Chinese Government through the Embassy at Chungking on April 2, 1945 a draft treaty of friendship, commerce and navigation. Subsequently, this draft was the subject of correspondence between Mr. Clayton and Dr. Soong when the latter was in San Francisco (Mr. Clayton's letter of May 22 and Dr. Soong's reply of May 25). In conversation with Mr. Clayton in Washington a few days later, Dr. Soong named Dr. Kan Lee of the Chinese Embassy to discuss informally with officers of the Department provisions of the draft treaty. These conversations were completed on July 9. Following them Dr. Kan Lee went to Chungking to discuss the draft with various Chinese ministries. The Department had previously agreed, at the suggestion of the Chinese Government, to conduct the negotiations in Chungking.

Developments in the Far East make the early consummation of the treaty of major importance to both the United States and China. American business organizations are extremely anxious for a definite and satisfactory legal basis on which to pursue trade and investment interests. From the standpoint of China, it would seem that early consummation of the treaty would enhance its prestige, particularly by demonstrating to the world the validity and significance of the recent extraterritoriality relinquishment by the Powers.

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<sup>81</sup> Prepared in the Division of Commercial Policy and approved for transmission to General Marshall by the Assistant Secretary of State (Thorp).

<sup>82</sup> General Marshall had the personal rank of Ambassador.

<sup>82a</sup> Omission indicated in the original memorandum.

The Department believes that it would be very useful if you express to Generalissimo Chiang Kai-shek<sup>83</sup> the substance of the foregoing and in particular the great importance which this government attaches to the earliest possible consummation of the treaty.

In addition to concern with regard to early consummation of a comprehensive commercial treaty, American business interests are becoming increasingly disturbed with regard to the projected "Company Law" in view of the fact that it may become a law on January 1 in its present form. The Department shares their feeling of concern and feels that it may serve a useful purpose if you could bring to the attention of the Generalissimo the Department's interest in this matter as outlined in the attached memorandum.<sup>84</sup>

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711.932/12-345 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, December 3, 1945—1 p. m.

[Received December 3—12:35 p. m.]

2085. Negotiations on treaty of friendship, commerce and navigation can be commenced about middle of January, according to note from Ministry of Foreign Affairs dated November 29 (ReEmbtel 2039, November 26, 2 p. m.). Draft of treaty forwarded by Emb April 2 stated now to be under consideration by Ministry which also is exchanging views concerning it with other interested Ministries and Commissions.

Please inform Commerce.

Sent to Dept, repeated to Shanghai.

SMYTH

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<sup>83</sup> President of the National Government of the Republic of China.

<sup>84</sup> Dated December 7, p. 1252.



REPRESENTATIONS REGARDING CHINESE RESTRICTIONS ON REMITTANCES TO THE UNITED STATES BY AMERICAN FILM DISTRIBUTORS IN CHINA<sup>1</sup>

893.4061 Motion Pictures/3-2945 : Telegram

*The Acting Secretary of State to the Chargé in China (Atcheson)*

WASHINGTON, March 29, 1945—4 p. m.

509. The Hays Organization<sup>2</sup> has informed the Department of the receipt by its company members of advices from Chungking that film remittances for 1945 (ReEmbs 2717 of June 26, 1944<sup>3</sup>) will be computed on a changed basis which will reduce substantially the net earnings of American companies.

The Hays Organization has requested the Embassy's assistance in obtaining a more reasonable arrangement in this matter and the Department would appreciate a report in the premises by airgram indicating especially whether there was any proper action which the Embassy was able to take in endeavoring to assist the American companies.

GREW

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893.4061 Motion Pictures/3-3045 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 30, 1945—9 a. m.

[Received 11:30 a. m.]

538. Finance Ministry officially informed representatives of eight American motion picture companies that exchange for 1945 remittances to US will be granted only for one Chinese dollar per each paid admission (which range from CN<sup>4</sup> \$40 to \$120 excluding taxes and surcharges) and that balance of earnings after deduction of local expenses will be blocked. Ministry stated that exchange will be granted at official rate prevailing during 1945. (Embassy's airgram 3, January 23, 8 a. m.<sup>5</sup>) Representatives advising their New York offices and majority urging offices tentatively to stop sending films to free China. They state that under new arrangement, which ignores

<sup>1</sup> Continued from *Foreign Relations*, 1944, vol. vi, pp. 1032-1039.

<sup>2</sup> The Motion Picture Producers and Distributors of America, Inc.

<sup>3</sup> *Foreign Relations*, 1944, vol. vi, p. 1038.

<sup>4</sup> Chinese national currency.

<sup>5</sup> Not printed; it reviewed the remittance position of the eight companies (893.4061 Motion Pictures/1-2345).

steadily rising admission prices and differences in charges, companies will be permitted to remit only five American cents for each ticket sold and that total remittances would approximate only 4 percent of net receipts (based on last 2 months' business) against 50 percent in 1944.

Representatives have not requested Embassy to discuss matter with Finance Ministry officials. Arrangement for 1944 has been criticized in Chinese press as being overly generous, resulting in "needless" dissipation of Chinese foreign assets, and Embassy believes that present arrangement was made partly to meet those criticisms.

ATCHESON

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803.4061 Motion Pictures/5-1445 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 14, 1945—11 a. m.

[Received May 16—12:15 p. m.]

777. Regarding question of 1945 remittances of American motion picture companies (ReDeptel 509, March 29, 4 p. m., and ReEmbtel 538, March 30, 9 a. m.) Embassy has recently held discussions with appropriate Finance Ministry officials and with representatives of U. S. companies. Latter expressed objection to arrangement proposed by Finance Ministry and requested Embassy to inform Ministry they preferred arrangement similar to that for 1944 with percentage of net receipts permitted to be remitted being reduced for [*from?*] 50 to 30%.

On May 5 chief of Monetary Section of Ministry's Currency Dept stated to officers of Embassy that he was authorized by Finance Minister<sup>6</sup> to make following statement which he requested be referred to representatives of U. S. companies.

1. Finance Ministry is willing to continue on same basis as for 1944 with new receipts to be remitted being changed from 50 to "around ten" percent. (Chief of Monetary Section states that, under 10 percent basis, amount to be remitted by all American companies would approximate U.S. \$1,000,000 or twice the amount envisaged under CN \$1.00 per ticket basis. Total amount remitted in 1944 was U.S. \$2,250,360.24.)

2. Under arrangements now proposed, Central Bank, upon instructions of Finance Ministry, would readjust percentage of net receipts allowed distributors of American pictures whenever gross price of ticket is increased.

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<sup>6</sup>O. K. Yui.

3. Finance Ministry raised questions whether (a) net receipts available for distribution between exhibitors and distributors could be revised, if necessary, once every 3 months and (b) whether, if such increases are made, they could be made simultaneously and at the same percentage rate of increase for all cities.

Regarding question of backlog of frozen funds now held in China in name of American companies, chief of Monetary Section stated that position of Finance Ministry remained unchanged.

Representatives of U.S. film companies have been advised of foregoing, which Embassy stated was being forwarded to Dept for possible reference to Hays Organization. Representatives requesting telegraphic instructions from their head offices.

HURLEY

893.4061 Motion Pictures/5-1445 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, June 12, 1945—5 p. m.

900. Hays Organization has informed Dept US distributors will- ing accept Finance Minister's 10 percent remittance proposition at 20 to 1 exchange rate (Urtel 777, May 14) if effective immediately and you think impossible to obtain higher percentage.

Hays requests your cont[inue]d cooperation for better conditions and asks also that negotiations with Govt re foregoing not be notified to US film managers Chungking.

GREW

893.4061 Motion Pictures/7-545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 5, 1945—10 a. m.

[Received 12:40 p. m.]

1102. Negotiations are being conducted by Robertson<sup>7</sup> with Minister of Finance (ReDeptel 500 [900], June 12, 5 p. m. and 1012, June 21 [29], 1 p. m.<sup>8</sup>). We are hopeful of satisfactory settlement in the near future.

HURLEY

<sup>7</sup> Walter S. Robertson, Economic Counselor of Embassy.

<sup>8</sup> Latter not printed.

893.4061 Motion Pictures/7-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 13, 1945—10 a. m.

[Received 10:42 a. m.]

1161. In view of 20 to 1 exchange rate, increased business, and the economic necessity of protection foreign exchange assets, Finance Minister's position has been that the proposed 10% remittance rate was eminently fair to United States distributors. (Re Department's telegrams 900, June 12, 5 p. m. and 1012, June 29, 1 p. m.<sup>9</sup>)

However, as a result of negotiations, Finance Minister agreed this afternoon to permit a remittance of 15% effective immediately. We had hoped to reach a compromise at 20% but, under the circumstances, we are inclined to believe that this is the best that can be done.

In agreeing to submit proposal, we obtained assurance that should there be a change in the official exchange rate, adjustment would have to be made accordingly. Open market rate for United States dollars is now approximately 3,000 to 1. For the Department's information, we are advised that the question of changing the official rate will be considered upon Soong's<sup>10</sup> return from Moscow.

Please advise if we are authorized to confirm the above proposal.

HURLEY

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893.4061 Motion Pictures/7-1345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, July 17, 1945—7 p. m.

1111. Hays Office appreciates your efforts (Your 1161, July 13) and authorizes proposal.

GREW

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893.4061 Motion Pictures/7-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 31, 1945—8 a. m.

[Received 2:06 p. m.]

1256. Your No. 1111, July 17, 7 p. m. not received by the Embassy until July 28, 4 p. m. We have advised the Ministry of Finance of the acceptance by the Hays Organization of the proposal outlined to you [in] Embassy's telegram 1161, July 13. We have not notified local representatives either of negotiations or results thereof. We assume

<sup>9</sup> Latter not printed.

<sup>10</sup> Dr. T. V. Soong, President of the Chinese Executive Yuan (Premier) and Minister for Foreign Affairs.

they will be instructed by their principals in U. S. If we are to take further action, please advise by cable.

HURLEY

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893.4061 Motion Pictures/7-3145 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 9, 1945—6 p. m.

1230. Hays Office now requests Emb inform U. S. film representatives Chungking (Urtel 1256, July 31) results negotiations concerning remittances.

BYRNES

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893.4061 Motion Pictures/9-645 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 6, 1945—1 p. m.

1403. Hays Organization has informed Dept. that U. S. film companies advised Chinese authorities holding up remittances under pretext new arrangement negotiated by Embassy (15% remittables at official rate 20 to 1) taking effect September 1. Hays understands agreement provided arrangement effective for year 1945 beginning January 1. Please telegraph report clarifying situation.

ACHESON

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893.4061 Motion Pictures/9-2445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

[Extract]

CHUNGKING, September 24, 1945—8 a. m.

[Received 10:20 a. m.]

1652. Arrangement negotiated by Embassy with Ministry of Finance on behalf Hays Organization provided that U. S. film companies would be permitted to remit 15% of net receipts at official exchange rate of 20 to 1, beginning January 1, 1945. The confusion which at first existed as to effective date was due to misunderstanding of instructions of Ministry of Finance by Central Bank. The situation has now been clarified in accordance with agreement.<sup>11</sup>

ROBERTSON

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<sup>11</sup> Delays and disagreements arose as to carrying out this agreement; the Embassy in China continued to use its good offices in 1946 for a settlement. In telegram No. 1824, October 11, 1946, 7 p. m. (893.4061 Motion Pictures/9-2946), the Acting Secretary of State advised the Consul General at Shanghai that the Motion Picture Association had informed the Department that a settlement of the balance of the 1945 remittances at U.S. \$3,789,000 had been reached. The question of exchange for further remittances, however, remained unsettled.

INTEREST OF THE UNITED STATES IN PLANS AND  
POLICIES OF THE CHINESE GOVERNMENT FOR POST-  
WAR ECONOMIC RECONSTRUCTION AND IN PROMO-  
TION OF AMERICAN TRADE INTERESTS IN CHINA <sup>1</sup>

893.50/1-345

*The Appointed Ambassador in China (Hurley) to the Secretary  
of State*

No. 53

CHUNGKING, January 3, 1945.

[Received January 24.]

SIR: The appointed Ambassador has the honor to transmit herewith a copy of an article regarding postwar policy toward economic enterprises which appeared in the Government sponsored *National Herald*, English language newspaper of Chungking, December 29, 1944.

The article quotes a statement attributed to a spokesman of the Supreme National Defense Council. When asked by a member of the Embassy for a copy of the policy statement agreed upon by the Council, General Wu Te-chen, Secretary-General of the Central Executive Committee of the Kuomintang, replied that it had appeared in the press on December 29th. It is believed, therefore, that the press statement was fully authorized.

It may be remarked that the contents of the statement as published in the *National Herald* conform closely to information contained in previously transmitted memoranda of conversations between Government and Party leaders, and members of the Embassy. It is consistent also with the statements of Dr. Sun Fo <sup>2</sup> in a recent address. A copy of his statement was enclosed with despatch no. 3212, on December 8, 1944,<sup>3</sup> entitled "Address by Dr. Sun Fo on China's Postwar Economic Policy."

[Enclosure]

*Chinese Statement on Postwar Economic Policy*

The following appeared in the *National Herald*, Government sponsored English language newspaper in Chungking, December 29, 1944.

<sup>1</sup> For previous documentation on this subject, see *Foreign Relations*, 1944, vol. VI, pp. 1040 ff.

<sup>2</sup> President of the Chinese Legislative Yuan.

<sup>3</sup> Not printed; for a summary of this address, see telegram No. 1974, December 8, 1944, from the Chargé in China, *Foreign Relations*, 1944, vol. VI, p. 1092.

“GENERAL PRINCIPLES ON ECONOMIC ENTERPRISES OUTLINED BY SNDC <sup>4</sup>

“The task of China’s economic reconstruction must be undertaken along the lines of planning in accordance with the teachings of Dr. Sun Yat-sen <sup>5</sup> so that free economic development under a General Reconstruction Plan will eventually lead to the establishment of the economic system prescribed in the Three Principles of the Peoples, a spokesman of the Supreme National Defence Council told the Central News yesterday.

“In the future all possible measures, he continued, should be taken to encourage free enterprise in so far as they are not inconsistent with the principles of the ‘regulation of capital’. Various means should also be devised to attract foreign capital, which is to be utilized in China in the spirit of fostering international economic cooperation on the basis of equality and reciprocity, provided that such cooperation does not prove detrimental to our sovereign rights or to the realization of our Economic Plan. In this manner it is hoped that free enterprise will furnish an impetus to the economic development of China and help hasten the consummation of our Reconstruction Plan.

“The spokesman then revealed the following guiding principles for economic enterprises adopted at the 148th meeting of the Standing Committee of the Council:

“I. The industrial development of China should be carried out along two lines:

“(1) by private enterprises and (2) by state enterprises.

“II. In order to facilitate the division of labor under the General Plan for Economic Reconstruction the following provisions concerning economic enterprises are to be observed:

“(1) The kinds of state monopolies should not be too numerous. Such monopolies include *inter alia* (a) postal service and tele-communications, (b) arsenals, (c) mints, (d) principal railroads and (e) large-scale hydraulic power plants.

“(2) Private capital may engage in any enterprise other than state monopolies.

“(3) The Government may, on its own account or in cooperation with Chinese or foreign capital, engage enterprises which private capital is not fully capable of developing or which the Government regards as being of special importance, such as large-scale petroleum fields, steel plants, air and water transportation, etc.

“(4) All enterprises which are operated by the Government in cooperation with Chinese or foreign capital should be organized in the form of business corporations. The Government, apart from exercising such administrative supervision as is provided by law, is entitled to participate in the management of all matters relating to

<sup>4</sup> Supreme National Defense Council.

<sup>5</sup> Founder of the Kuomintang (Nationalist Party).

the business, finance and personnel of such corporations solely in its capacity as a shareholder.

"(5) With the exception of state monopolies, all enterprises operated by the Government, whether with or without the cooperation of Chinese or foreign capital, in so far as they are of a commercial character, should, as regards their rights and obligations, be treated in same manner as private enterprises of a like character.

"III. The establishment of any important private enterprise should, according to law, be submitted to the examination and approval of the Government on the basis of the General Plan for Economic Reconstruction. (Important matters to be considered include: location of the projected plant, production capacity, kind and quality of output, issuance of shares and bonds, etc.)

"To all private enterprises that conform to the General Plan for Economic Reconstruction the Government should give special encouragement including financial aid and technical and transportation facilities, so that they may achieve their scheduled progress.

"IV. No restriction shall be placed on the percentage of foreign share of capital in any Sino-foreign enterprise. In the organization of such a corporation it shall not be made a fixed rule that the General Manager be a Chinese, although the Chairman of the Board of Directors must be a Chinese.

"V. State enterprises may contract foreign loans or seek foreign investments through competent Government organs provided that they first be approved by the Government on the basis of the General Plan for Economic Reconstruction. Private enterprises may also directly undertake such negotiations, provided that similar approval of the competent government organs is obtained.

"VI. All enterprises in China which are directly financed and operated by foreign nationals on their own account should observe Chinese laws and regulations. In the case of certain special enterprises which would require special authorization for their establishment and operations, special charters of franchises may be granted to foreign nations upon application to and approval by the Chinese Government.

"VII. Persons in the government service prohibited to participate in the operation and management of any enterprise that falls within the scope of their supervisory functions.

"Concluding, the spokesman pointed out that as it seems inevitable that the existing laws and regulations concerned will in certain cases be found to be in conflict with the above-stated principles, the matter should be referred to the Legislative Yuan for revision with a view to harmonizing all existing legislation on the subject."



893.50/2-1045: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

[Extract]

CHUNGKING, February 10, 1945—1 p. m.

[Received February 10—9:45 a. m.]

203. Franklin Ho, Deputy Secretary General, Central Planning Board and Vice Minister [of] Economic Affairs, stated February 8 that master plan for postwar economic reconstruction may not be finished before year end. (ReEmbstel 1767, November 3).<sup>6</sup>

Formulation of plan awaits completion of plans for individual industries and some industry plans immediately. Power reportedly completed while others including transportation are not. Plans for given industries said to require further revision when integrated in master plan.

HURLEY

893.50/2-2845

*The Chargé in China (Acheson) to the Secretary of State*

No. 187

CHUNGKING, February 28, 1945.

[Received March 17.]

SIR: In accordance with the request in the Department's air mail instruction no. 27 of February 2, 1945,<sup>7</sup> to be kept currently informed concerning developments in China's plans for economic reconstruction, I have the honor to transmit two statements<sup>8</sup> by Dr. Sun Fo pertaining to this subject: The first is a translation, revised by Dr. Sun Fo at the Embassy's request, of his address of January 18, 1945, before the International Economic Association in Chungking, entitled "Guiding Principles for China's Postwar Reconstruction". This address contains a discussion of principles adopted by the Supreme Council of National Defense on November 6, 1944.\* The second is an interview with Dr. Sun Fo concerning postwar economic policy which appeared in the *Shanghai Evening Post and Mercury*, Chungking, February 18. A member of the Embassy was informed by Dr. Sun Fo that he had read and approved this interview before its publication.

<sup>6</sup> *Foreign Relations*, 1944, vol. VI, p. 1081.

<sup>7</sup> Not printed.

<sup>8</sup> Neither printed.

\*An English translation of these principles, released by a spokesman of the Defense Council, appeared in the *National Herald* and was transmitted with Embassy despatch no. 53, January 3, 1945. An earlier address by Dr. Sun Fo regarding these principles was transmitted with Embassy's despatch no. 3212 of December 8, 1944. See also Embassy's despatch no. 38 of December 27, 1944. [Footnote in the original; despatches Nos. 3212 and 38 not printed.]

*Summary of address:* Basic principles for China's postwar industrialization were approved by the Supreme Council of National Defense on November 6, 1944. China cannot unqualifiedly adopt the Anglo-American system of free private enterprise because industrialization under that system would be too slow to meet the urgent requirements of national defense and world peace. At the same time, China cannot adopt the Soviet system in its entirety since the adoption of that system in Russia was possible only after violent internal revolution. China, therefore, will employ the most important principle of the Soviet system, i. e. a general economic plan, while welcoming the expansion of private investment under that plan.

Government monopolization will be limited to a few industries including large hydro-electric plants, important railways, and telecommunications. All industries not monopolized by the state are open to private investment. In industries open to private investment the state may engage in enterprises not capable of private development, or which are regarded by the government as of special importance. Illustrations are large petroleum fields, steel plants, and air and water transportation. When the government, either alone or in partnership with Chinese or foreign capital, operates such enterprises it shall be subject to the same obligations and enjoy the same rights as private enterprises of a like character. Thus, the fear expressed in a recent editorial of the *New York Journal of Commerce*, that private business in China will face subsidized government competition, is unwarranted.

To expedite industrialization, foreign nationals may be granted special charters in the case of enterprises which require special authorization for their establishment or operation. Foreign capital may be invested directly in enterprises, without the participation of Chinese capital. Foreign investors will have equality before the law with Chinese nationals. Both state and private enterprise may negotiate or contract foreign loans or investments provided they are first approved by the Government on the basis of the general plan for economic reconstruction.

*Summary of interview:* Government foreign trade monopolies will be abolished after the war, and the conduct of foreign trade will be entirely in private hands. Government regulation will be necessary to conserve external resources for important uses. In part, this may be done by a tariff policy which would impose rather high duties on luxuries, while admitting such items as machinery free of duty. In regard to economic planning, one current proposal is to have a modified War Production Board with power to map out production needs and "steer" private industry into desired channels. This would ensure that first consideration is given to the general welfare, and would ordinarily benefit rather than harm private companies.

Respectfully yours,

GEORGE ATCHESON, JR.

693.0031/3-145 : Telegram

*The Chargé in China (Acheson) to the Secretary of State*

CHUNGKING, March 1, 1945—2 p. m.

[Received March 3—1:10 p. m.]

334. ReDeptel 1522, November 23, 5 p. m.;<sup>9</sup> Embstel 1978, December 8, 11 a. m.,<sup>10</sup> and Embdes 15, December 18.<sup>11</sup>

Foreign Affairs Political Vice Minister<sup>12</sup> handed to me on February 23 brief oral statement on commercial policy of Chinese Government summarized as follows:

Chinese Government voluntarily supports free trade policy for which in recent years U. S. Government has energetically sought general acceptance and implementation, both at home and abroad, and earnestly seeks unremitting collaboration. When the Chinese Government establishes a postwar commercial policy it will be based on principles of reciprocity and equality in accordance with concept of international economic collaboration enunciated in Atlantic Charter<sup>13</sup> as well as in spirit of article 7 of Mutual Aid Agreement between Chinese and U. S. Governments.<sup>14</sup>

ATCHESON

893.50/3-745

*The Chargé in China (Acheson) to the Secretary of State*

No. 208

CHUNGKING, March 7, 1945.

[Received March 20.]

SIR: I have the honor to transmit herewith a copy of an article<sup>15</sup> which appeared in the Central News Agency's English Service, March 3, 1945, in regard to an interview with Mr. Kan Nai-kuang, Deputy Secretary General of the Supreme National Defense Council, regarding the question of postwar foreign investments in China.

*Summary of article:* Under the policy set forth in the statement of principles (issued by the Supreme National Defense Council and transmitted with the Embassy's despatch no. 53, January 3, 1945), there are four ways in which foreign capital may be employed in postwar China: (1) foreign loans may be made for the development of state monopolies including principal railways, large scale hydraulic plants and telecommunications; (2) foreign capital may participate

<sup>9</sup> *Foreign Relations*, 1944, vol. vi, p. 1087.

<sup>10</sup> *Ibid.*, p. 1093.

<sup>11</sup> *Ibid.*, p. 1094.

<sup>12</sup> K. C. Wu.

<sup>13</sup> Joint declaration by President Roosevelt and British Prime Minister Churchill, August 14, 1941; for text, see *Foreign Relations*, 1941, vol. i, p. 367.

<sup>14</sup> Signed at Washington, June 2, 1942, Executive Agreement Series No. 251, or 56 Stat. (pt. 2) 1494.

<sup>15</sup> Not printed.

in joint enterprises with Chinese private or government capital; (3) foreign enterprises may be established, subject to Chinese laws; (4) foreigners may operate certain "special enterprises" with the permission of the government.

Fear that the competition of state enterprises would handicap private enterprises, either foreign or domestic, is unwarranted. Under a master five-year plan for reconstruction, many state enterprises would be concerned with the development of projects which private capital was unable or unwilling to undertake. Furthermore, in industries where there was both state and private operation, state enterprises would be organized as corporations subject to liquidation, and would not be entitled to unlimited subsidies from the Government. *End of summary.*

Respectfully yours,

GEORGE ATCHESON, JR.

893.50/3-745

*The Chargé in China (Acheson) to the Secretary of State*

No. 209

CHUNGKING, March 7, 1945.

[Received March 20.]

SIR: I have the honor to transmit herewith a copy of an article<sup>16</sup> which appeared in the Central News Agency bulletin of March 3, 1945 regarding an interview with Dr. Wong Wen-hao, Minister of Economic Affairs, on China's postwar economic policy as expressed in a statement of general principles governing economic reconstruction issued by the Supreme National Defense Council, a copy of which was forwarded to the Department with the Embassy's despatch no. 53, January 3, 1945.

*Summary:* Two of the principles adopted are of particular importance. The first delineates the field of government activity, making it the duty of the government to operate the post office, telecommunications, arsenals, mints, railway trunk lines and large hydraulic plants. While other industries are open to private capital, the government may undertake large enterprises, beyond the present capacity of private industry, such as oil fields, iron and steel mills and water transportation, either alone or jointly with native or foreign private capital. While the government will engage in industry only where it is necessary to do so, its policy will not be one of *laissez-faire*, for it will channelize private activities in order to place first things first, and to coordinate government and private activities.

The second principle of particular importance is the welcome accorded foreign capital. Extraterritoriality made it necessary to place certain limitations on foreign capital, such as the restriction of the proportion of foreign capital in an enterprise to 49 percent of the total, and the requirement that both the chairman of the board and general manager of a business should be Chinese. Under the new principles, all regulations which place the foreigner at a disadvantage

<sup>16</sup> Not printed.

are abolished, with the exception that the chairman of the board of directors of a Sino-foreign enterprise must be Chinese.

Industrialization will not only raise the standard of living of the people, but in doing so will facilitate the maintenance of peace and order. *End of summary.*

The reference to the abolition of limitations on foreign capital, in the penultimate paragraph above, should not be taken to mean that old laws have already been replaced by new statutes expressive of the principles adopted by the Defense Council. The Embassy understands that the problem of revision is being considered.

Respectfully yours,

GEORGE ATCHESON, JR.

893.50/3-2345

*Memorandum by Mr. Charles F. Remer of the Office of Financial and Development Policy, on Detail to the Embassy in China*<sup>17</sup>

[Extract]

[CHUNGKING,] March 15, 1945.

I called by appointment on Dr. Soong<sup>18</sup> this morning and explained that I was after first-hand knowledge of Chinese Government plans for economic reconstruction and development after the war. He replied that my purpose would be best served by an attempt to get a general view of the situation in my field of interest. I could not do better than to talk with three men of special importance because of their experience and ability. The three men he named were Wong Wen-hao, Minister of Economic Affairs and Chairman of the Chinese War Production Board; C. C. Chien, Director, Electricity Department, National Resources Commission of the Ministry of Economic Affairs; and Peng Hsueh-pei, Deputy Chairman of the Central Planning Board and of the Chinese WPB.<sup>19</sup>

My attempts to get from him any detailed comment on Chinese planning or on certain related developments were unsuccessful. The Chinese WPB, he said, was doing very well. He said he did not know whether detailed work had been done in China's needs for lend-lease aid during the rest of the war. He would not comment on the Taub plan<sup>20</sup> nor on the Yangtze Gorge hydroelectric power project.<sup>21</sup> He

<sup>17</sup> Copy transmitted to the Department by the Chargé in China in his despatch No. 247, March 23; received April 7.

<sup>18</sup> T. V. Soong, Chinese Minister for Foreign Affairs.

<sup>19</sup> War Production Board.

<sup>20</sup> The Taub Plan (sometimes referred to as the "Taub Guide") took its name from Alex Taub, Chief Engineer, Engineering Service, Foreign Economic Administration. The plan consisted of studies aimed at building a balanced industrial economy in China with special emphasis on costs of construction and manpower requirements for each of 52 industries.

<sup>21</sup> For documentation on this subject, see pp. 1425 ff., *passim*.

protested that he was not so well informed as he had formerly been on economic matters and he assured me that the three men whom he had mentioned would deal quite frankly with these subjects and would give me any information I wished to have. When UNRRA<sup>22</sup> was mentioned he named a fourth man, Dr. T. F. Tsiang,<sup>23</sup> and urged that I see him.

(My own guess from Dr. Soong's manner is that there has been more serious discussion of the Yangtze Gorge project than of Taub's proposals. This was confirmed by Dr. W. Y. Lin of the Bank of China whom I saw in the reception room both before and after my talk with Mr. Soong.)

The next subject was the recent discussion of the place of Government and private enterprise in postwar China. Dr. Soong assured me at once that he had stood for a liberal policy at all times. Those who opposed a liberal policy, he said, were strongly influenced by the example of Russia. He said there were in the Chinese Army some who were interested in the governmental regimentation of everything and that these men had been dealt with by being told that economic policy was none of their business. In any case, he said, the Army group was neither numerous nor powerful and could be disregarded.

He went on to say that he himself was quite convinced that a settlement of this matter had now been made and that the United States could be assured that China would pursue a liberal policy toward private enterprise after the war.

I mentioned the possibility that the Chinese Government might welcome assistance in postwar economic planning to see what comment it would bring. Dr. Soong showed some interest but stated that it was perhaps not appreciated that much had already been done. He now mentioned the Central Planning Board for the first time (his early references had all been to the work of Ministry of Economic Affairs and the National Resources Commission) and added that much assistance was coming from Americans<sup>24</sup> with the War Production Board. There were, he said, some twenty who were just arriving. He made no distinction between the war and postwar aspects of the WPB. He did not drop this subject without assuring me that he desired to think the matter over and that he might get in touch with me again.

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CHARLES F. REMER

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<sup>22</sup> United Nations Relief and Rehabilitation Administration.

<sup>23</sup> Director, Chinese National Relief and Rehabilitation Administration.

<sup>24</sup> A group of American technical experts known as the "American Production Mission" and as the "Nelson Mission", who served as advisers to the Chinese War Production Board.

840.50 UNRRA/4-445

*The Chargé in China (Atcheson) to the Secretary of State*

No. 272

CHUNGKING, April 4, 1945.

[Received April 19.]

The Chargé d'Affaires, a. i., has the honor to transmit a copy of a memorandum of conversation<sup>25</sup> between Mr. Benjamin Kizer, in charge of the UNRRA Mission in China, and a member of the Embassy regarding several phases of UNRRA activities in China.

*Summary:* There appears to be no intention to coordinate UNRRA activities with an overall Chinese plan for postwar economic reconstruction. Chinese with whom Mr. Kizer has talked have made no reference to such an economic plan. He believes that the Chinese Relief and Rehabilitation Administration will not endeavor to formulate an *ad hoc* general economic plan, but will content itself with the reconstruction of particular prewar productive facilities which have been wholly or partially destroyed.

It is believed that China's original proposals to UNRRA under which she would have undertaken to expend some NC<sup>26</sup> \$2,727,000,000 (prewar value) internally in addition to paying more than US\$1,500,000,000 for imports, will be very drastically curtailed. China will probably not expend more than US\$1,000,000,000, most of which will consist of internal expenditures.

A group of UNRRA and Chinese personnel have been sent to Kweichow to investigate the possibility of affording aid to distressed areas of Kweichow Province. *End Summary.*

Mr. Kizer expressed concern over the question of extending UNRRA assistance to areas under Communist control. Before reaching a decision in this delicate matter he intends to confer with the American Ambassador and with representatives of the Army.

803.50/4-2745

*The Ambassador in China (Hurley) to the Secretary of State*

No. 335

CHUNGKING, April 27, 1945.

[Received May 12.]

SIR: I have the honor to transmit a memorandum of conversation<sup>25</sup> of April 17 between Mr. Kan Nai-kuang, Deputy Secretary General of the Supreme National Defense Council, and a member of the Embassy, regarding the meaning of certain provisions in the Defense Council's statement of "General Principles on Economic Enterprise During the First Period of Reconstruction". This statement of postwar economic

<sup>25</sup> Not printed.<sup>26</sup> Chinese national currency.

policy was transmitted with the Embassy's despatch no. 53, January 3, 1945. The conversation which is the subject of this despatch was in relation to written questions which were given to Mr. Kan in advance of the discussion.

*Summary:* Mr. Kan's comments may be summarized as follows: (1) No additions are presently contemplated to the list of industries mentioned in the Council's statement as being reserved for Government operation. (2) Industries in which the Government may engage, other than those reserved to it, will be determined from time to time, and will probably be enumerated in policy statements. (3) Governmental as well as private enterprises should be subject to approval under the "General Plan for Economic Reconstruction". (4) The "important" enterprises which must be submitted for approval under the Plan may in fact be those of companies proposing to engage in businesses regarded as of sufficient importance to be included in the Plan. (5) It would seem necessary to have the plan govern the expansion of existing enterprises in businesses subject to it, although it is unlikely that existing enterprises would, under the provisions of the Plan, be forced to curtail their operations. (6) While the Defense Council's statement of General Principles provides for public assistance to enterprises approved under the Plan for Reconstruction, such assistance should be available equally to previously established enterprises. The principles governing assistance or subsidy require future study and it is proposed to send three representatives of the Legislative Yuan abroad to study this and other questions involved in the control of business by the Government. (7) It is intended that the general manager of a Sino-foreign enterprise need not be a Chinese, thus removing a previous limitation of the Chinese company law. The English translation "it shall not be a *fixed* rule that the General Manager shall be a Chinese", is somewhat misleading. (8) While Mr. Kan expressed the belief that the statement of General Principles is intended to permit wholly foreign-owned firms freely to engage in business in China, subject to stated limitations, it is not clear that such firms would receive treatment equal in all respects to that accorded Chinese enterprises. (9) No clear definition exists of the circumstances under which "special charters" would be required before a company would be authorized to do business in China. Such charters might be required in the case of large-scale enterprises in which the Government is expressly interested. (10) It is not expected that the General Plan for Reconstruction would be made operative until a year after the end of the war. It may be that some sections of the Plan would be placed in effect before the whole of it is ready to be made operative. *End of Summary.*

It is believed that in most of his replies, Mr. Kan was expressing a personal opinion. It is also believed that numerous issues regarding the precise meaning of the statement of General Principles remain undetermined.

Respectfully yours,

For the Ambassador:  
ELLIS O. BRIGGS<sup>28</sup>

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<sup>28</sup> Economic Counselor.



893.60/5-2145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 21, 1945.

[Received May 21—2: 17 p. m.]

814. Following is extract from Central News English service of May 19:

“Chungking, May 19 (Central) : Following is a summary of the resolution on the program for industrial reconstruction adopted by the sixth Kuomintang Congress at this morning’s general meeting :

The industrial reconstruction of China will be based on an overall plan drawn up by the Government.

The underlying idea is to develop on industrial base first in order to ensure it an independent growth and to realize the dual objective of national defense and people’s livelihood. Briefly stated, the principle of people’s livelihood seeks to effect the most equitable distribution so that society as a whole may be benefited and this postulated the socialization of capital.

Speed is important and this implies the completion of industrial projects according to schedule with the large scale adoption of modern technique. The scale of development will be obviously limited by the capital made available by the people’s saving and foreign investment, especially at the earlier stages of the plan.

To promote state capital, it is necessary to institute a state capital, it is necessary to a state-owned enterprise system, but private enterprise will also be encouraged within the framework of the overall plan so long as such enterprises do not exploit the masses.

The Government sector of industry will be confined largely to heavy industries such as iron and steel, coal, copper, lead, zinc, electrical, chemical (basic) and cement, and also other industries that have a direct bearing on the people’s livelihood such as textile[s], flour and leather. Government may also participate in the development of agricultural raw materials such as raw silk, tea, tung oil and vegetable oil both to meet the needs of domestic industries and for export.

The state sector will also take care of the two basic services essential to industrialization power and communications. These must be accorded the highest priority and developed in accordance with the needs of the industrial plan.

As China is deficient in certain natural resources such as copper, sulphur, rubber, and iron ore, a definite plan must be formulated to encourage their import and stockpiling. For instance, iron and steel scrap may be imported from other countries and iron ore from the South Seas. With its rich reserves of bauxite and alunite China should develop a gigantic aluminum industry as a partial substitute

for copper and as raw material for the aircraft industry. Conservation of certain scarce resources should also be instituted for strategic reasons, such as coking coal and petroleum. In the case of the latter mineral, the alcohol industry may be developed as a partial substitute. As a further measure to conserve mineral resources, agricultural industrial raw materials may be used where possible. Attention should also be directed to the organization of each industry as a whole with a view to achieving the highest efficiency and this may be supplemented by a planned distribution of labor. Last but not least, there should be a plan for intensive geological prospecting and the gathering of other economic data necessary for the industrial development of the country.

The industrial plan must be carried out according to schedule, relative to time and place, and the various industries must be brought into harmony with the overall plan. This applies to the speed of production as well as to the planned output. It may not be easy to have all details realized exactly according to plan but the broad outline of it should be rigidly adhered to. For this reason there will be a central controlling organization to ensure a harmonious development. Where industries fall short of the planned quota in production, the state must be in a position to make good the deficiencies.

The industrial regions will be fixed by the Government according to the distribution of natural resources and other economic factors, as communications, necessary to industrial development. For the development of the basic industries, strategic considerations are important.

Standardization of products is vital. The Government must fix standards which have to be rigidly adhered to even for imported products. This applies equally to measures. The metric system is to be the one only standard.

To carry out the planned production and the harmonious development of the various industries, the state and private sectors of industry must have proper division of work and coordination. The controlling organizations will check the quota in accordance with the prescribed schedule and thus ensure the paid [*full?*] development of private industry. The state may further help private industry by the organization of trade associations of related industries so as to promote the closest cooperation.

It is the object of both the state and private [*industry?*] to achieve the highest efficiency by the application of the most advanced technology, scientific management, standardization, and rationalization. This will also achieve the lowest cost. Mechanization and electrolysis will help mass production of standard products. Modern chemical engineering, smelting and related industries will avail of domestic

raw materials to achieve the highest efficiency. The training of personnel will be along scientific lines. At the outset certain important industries may be found to be high cost and the state will have to subsidize them for some time but this will be only a temporary measure to put the industries on their feet. The state will assist industry to obtain the necessary equipment and raw material.

Private industries conforming to the state industrial plan will receive the utmost assistance such as foreign exchange, transportation, equipment, raw materials, and labor. This protection will encourage investment in the industries necessary to the development of the state plan. Private and state enterprises of the same category will have equal treatment, that is, no discriminatory treatment against private industries, which, wherever needed, will receive technical assistance from the state.

The Government will also encourage handicraft industries and cooperative [apparent omission] the leisure of the people. Where the handicraft industry has an international market, the state will help technically to better the grade of the products. Where the products may serve as the raw material of industry, the state will coordinate the industries. The new industries may accelerate the development of village and handicraft industries. Such small-scale industries and handicraft industries [are] best developed by the cooperative methods.

During the transition from an agricultural country to an industrialized economy, exports will have to be greatly developed. Labor may be added to convert the raw materials to a state suitable for the world market in view of China's cheap labor. The state should exercise leadership in promoting both the quality and quantity of the products. This applies particularly to the South Sea market for Chinese cotton textiles as it will help to replenish its foreign exchange. The state will also perform a regulatory and inspection function to ensure correctness of grade.

The state should encourage savings and channel the investments to industry. Profits from industry should also be ploughed back to industry. To achieve this, the complete profit must be attractive.

The country's financial policy should be in line with the requirement of industry. This applies also to taxation policy and the customs tariff. At the outset [*outset?*] when certain industries are in their [infancy?] some form of protection may be necessary. More vital, however, is the stabilization of the currency without which little economic activity will be possible. Additionally, the Central Bank must be strengthened as to exercise an effective control over the financial policy with a view to extending the greatest possible lead to industry. A securities and bond market should also be developed.

The dictatorial policy should also help industrialization. This refers particularly to the technical and vocational education program. This may be supplemented by the training of personnel by each factory. The state may send out experts to study the problem of rapid personnel training.

Invention and scientific research should be encouraged by suitable awards or subsidy. There should be legal protection to patents and they should be strictly enforced. Exchange or polling of processes of related industries should be regulated and encouraged so as to derive the greatest benefits. Foreign investment should be welcomed. There are four forms of investment—loans, joint enterprise, extension of credit, and special investment. Loans floated [would be?] designated by the Government. Such loans should be invested in enterprises vital to the industrial program and will be self-liquidating. There will be no restrictions to the investment of foreign capital except in the munitions industry. Where the joint enterprise requires large capital, it is best for the state to participate so as to realize Dr. Sun's industrial program. If private enterprise participates in joint capitalization with foreign interest, the sanction of the state is necessary. Where the foreign corporation enters into technical assistance contract with Chinese enterprise, it has to obtain the approval of the controlling organization. The direct investment by foreign corporations will have to be approved by the Chinese Government and will have to conform to Chinese law. Foreign corporations investing in China should endeavor to utilize Chinese materials as far as possible. ["]

HURLEY

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893.655/5-2245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 22, 1945—11 a. m.

[Received May 22—10 a. m.]

821. Following tentative outline of 5-year post-war plan for China's cotton industry put forth by prominent members of cotton industry who informed Dawson<sup>29</sup> that, although plan not yet coordinated with that of Central Planning Board or officially adopted, they believed major points thereof will be approved (ReEmbsdes 3185, Nov. 25, 1944<sup>30</sup>):

1. Increase number spindles to 7 million from maximum of 2 million expected to be recovered on liberation of occupied areas.

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<sup>29</sup> Owen L. Dawson, Agricultural Attaché in China.

<sup>30</sup> Not printed.

2. Of 5 million spindles required it is hoped to obtain from U. S. 2½ million and possibly from England 500,000. It is hoped to obtain at least the former from U. S. within 3 years after war but absolutely necessary to set up priority at once.

3. For remaining 2 million spindles it is hoped with cooperation of American and British interests to set up machine shops in China for their manufacture.

4. Product of these spindles will be used as far as possible for export of cloth. One estimate is [by?] competent authority places yarn equivalent for this purpose at 3 million bales or half total output.

5. For obtaining most of raw cotton required, it is proposed promptly to reestablish central cotton plantation improvement bureau and maintain branch offices in each of the different cotton producing provinces. It is aimed to increase production to 25 million shih piculs from pre-war average of about 11 million and high 1936 production of 16 million shih piculs. This cotton would compete more with Indian than American cotton but probably latter would be reduced to comparatively low figure following immediate post-war rehabilitation requirements. Policy in this regard not yet clear.

6. In addition to above, acquisition of 100,000 new looms and improvement of 100,000 home weaving looms for farmers are envisaged.

Cotton acreage and production plans [in] free China this season will be reported later.

HURLEY

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893.655/5-2245 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 22, 1945—1 p. m.

[Received May 22—9:05 a. m.]

822. Outstanding feature of Chinese cotton textile plans (ReEmstel 821, May 22, 11 a. m.) brought to attention of Remer and Dawson by prominent and competent member of industry is belief number [of] Japan's spindles now reduced to 3,750,000, remainder having been scrapped. This number would be only about enough for home consumption of textiles. This great deficit in producing capacity for pre-war Far Eastern textile markets would exist. China's plan for export envisages absorption of most of this if efficient expanded industry can rapidly be built.

While evidence of this reduction is not direct, informant firmly believes his sources are reliable but Remer and Dawson of opinion this drastic reduction spindles needs further confirmation before complete acceptance.

HURLEY

893.50/6-1645

*Memorandum by the Economic Adviser to the Embassy in China*  
(*Sumner*)

[WASHINGTON,] June 16, 1945.

During the month of April, Dr. Wong Wen-hao, Minister of Economic Affairs, conducted a series of seven informal conferences for the purpose of discussing various economic questions. The agenda included the following topics: (1) International aspects of reconstruction, (2) Methods and forms of foreign investment, (3) Economic policies of the Chinese Government, (4) Means of communication (two meetings), (5) Industrialization, (6) Agricultural problems.

Dr. Wong was chairman of the meetings which were also attended by Mr. Remer of the Department of State, and Mr. Sumner of the Embassy. Various Chinese were invited by Dr. Wong, the composition of each group depending on the subject of discussion. Mr. Remer has prepared notes concerning each meeting; these are available in mimeographed form from ED.<sup>31</sup>

This following summary contains a brief statement of opinions expressed by Chinese on economic matters of particular interest to the United States.

1. *Economic planning*: It was stated that while a good deal of progress has been made in developing an economic plan for China, much remains to be done before such a plan is completed. Dr. Wong Wen-hao stated that, in his opinion, the function of an economic plan would be that of a general guide, of particular use to the Government in planning its activities, rather than of a detailed blue print to which all phases of economic development must conform.

2. *Government ownership*: It was predicted by Dr. Wong that the Government would operate a number of factories after the war, but that companies in which the Government was interested would not enjoy special privileges vis-à-vis private companies. He also referred to a policy under which Government banks may become shareholders in private enterprise. While the general opinion was that the Government will be particularly concerned with the development of such areas as transportation and communication, it may enter other industries as well. No fixed lines can be drawn between areas in which the Government will operate and those reserved to private industry.

3. *Position of foreign companies*: It was clear that there is a difference of opinion among the Chinese as to the position of foreign companies in China under the statement of general post war economic policy issued some months ago by the Supreme National Defense

<sup>31</sup> Division of Foreign Economic Development; Mr. Remer's notes in mimeographed form not printed.

Council.<sup>32</sup> In the view of Dr. Wong, all wholly foreign owned enterprises entering China would do so under special Government approval or franchise. Others apparently believed that it was intended in the policy statement freely to admit foreign companies in most fields of industry subject, of course, to Chinese laws and regulations.

Considerable doubt was expressed by Dr. Wong and others as to the desirability of a completely open door policy towards foreign companies in certain lines of enterprise. Representatives of the Communications Ministry made clear that river transportation must be entirely under Chinese ownership, and that Chinese must have effective control over coastal shipping. In the case of mining, Dr. Wong referred to the dangers of foreign companies becoming members of international cartels without reference to the interests of China. He spoke also of such fields as textiles, where Chinese have experience and may do the job profitably if not confronted by too much foreign competition. While not referred to in Mr. Remer's notes, other Chinese opinion was to the effect that foreign business would be especially welcome in areas such as the manufacture of automotive equipment, where a high degree of technical experience is necessary and where the Chinese themselves have done little.

Dr. Wong referred at length to China's desire for foreign investment after the first Sino-Japanese war, and to the unfortunate consequences for China which ensued.

It was pointed out that the Government has made a policy decision, to be implemented by legislation, removing the present restriction on foreign ownership in joint enterprises to 49 per cent of the capital stock. The only limitation to be retained is the requirement that the chairman of the board of directors shall be a Chinese.

4. *Plans for economic reconstruction—communications*: Representatives of the Communications Ministry outlined plans for rebuilding Chinese railways and constructing an additional 10,000 kilometers during the first five post war years. Imports of foreign materials and equipment for reconstruction of railways were estimated to cost US\$800,000,000. (My own notes state that the cost of imports necessary for new railways was estimated at approximately US\$700,000,000).

A five year program for river and coastal shipping was estimated to require US\$1,000,000,000 for imports. The Ministry has in mind the establishment of an over all holding company, such a company to own and operate shore installations as well as to exercise general control over Chinese shipping. Limited foreign participation in the holding company may be allowed. (Dr. Wong discussed the problem

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<sup>32</sup> *Ante*, p. 1332.

of ocean ports and proposed that there be four large ports located at Dairen, Tsingtao, Shanghai and Kowloon. He also suggested that a free port be developed on the Chusan Archipelago.) The post war program for aviation was estimated to cost US\$303,000,000. The estimated cost of foreign imports for telecommunications was placed at US\$145,000,000. Between US\$50,000,000 and US\$80,000,000 was believed to be necessary for a highway program involving the construction of 10,000 kilometers of main roads and 50,000 kilometers of secondary roads.

The total of the above estimated expenditures for foreign materials and equipment is approximately US\$3,000,000,000.

5. *Plans for economic reconstruction—industry*: Dr. Wong outlined what he referred to as a “modest proposal” for the industrial development of China. He referred to the existence of numerous plans, but chose to outline one which, at the end of five years, would provide an annual production of 3,000,000 tons of iron and steel and 100,000,000 of coal. This plan would also provide 2,000,000 KW of electric power (exclusive of the Yangtze Gorge which, if developed, would involve from 4,000,000 to 10,500,000 KW), and 8,000,000 cotton spindles. Dr. Wong did not describe other elements of the plan.

He estimated the cost of imported materials to be equal to some US\$4,480,000,000 including the cost of manufacturing enterprises associated with communications and transportation. This sum, he estimated, would represent approximately 40 per cent of the total expenditure on economic development during the five year period, whereas communications would require approximately 30 per cent of the total economic expenditure.

6. *Foreign loans*: Throughout the meetings most Chinese, including Dr. Wong, expressed more interest in loans from foreign governments, especially the American, than in foreign private investment in China. The hope was freely expressed that the United States would grant China a large long term loan at a low rate of interest. There was little support for, or confidence in, the idea of international economic assistance.

Dr. Wong expressed the view that China would be able to finance from one-half to two-thirds of the cost of necessary foreign imports. (It is not altogether clear to the writer whether this referred to the total foreign funds requirement, or only to funds required for conducting industrial reconstruction and development.)

7. *Currency*: A representative of the joint board for the four government banks referred to the importance of currency stabilization. This, he believed, would require a reserve fund of “several hundred million” United States dollars.



8. *Commercial policy*: The view was expressed that China would employ a "reasonably high tariff". There was also interest in the prohibition of imports of "luxuries" by agreement with foreign governments.

9. *Agriculture*: The needs of agriculture were outlined in relation to a number of topics. In the general discussion, Dr. Wong sharply criticized existing tax policy, and emphasized the need for a wider distribution of land ownership. He advocated a progressive tax policy under which the rate of taxation would increase in relation to the size of land holdings.

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893.50/7-645

*The Ambassador in China (Hurley) to the Secretary of State*

No. 524

CHUNGKING, July 6, 1945.

[Received July 26.]

SIR: I have the honor to invite the Department's attention to the fact that over the past few years the Chinese appear to have gained the impression that the American Government is going to contribute very substantially indeed in the postwar economic development of China, and to point out that unless the chances appear to be good that this assistance will in fact be forthcoming, Chinese "disappointment" can hardly fail adversely to affect our future relations with China.

If I am correctly informed, there have been a number of general statements made during the past few years by officials of the American Government which have been interpreted (or perhaps misinterpreted) by many Chinese as assurances of very large capital contributions by the American Government and people for the industrialization of China and for the financial support of the Chinese Government, or projects sponsored by the Chinese Government. I hope that substantial aid to China may prove feasible, but it will readily be understood that should the Chinese be thinking in terms of billions of dollars, which seems not improbable to me at this writing, and should our aid fall short of such figures, the Chinese may allege that they had been led to expect more than that actually received.

We may also have contributed to raising Chinese expectations through the sending to China of a very considerable number of economists and advisers, who during their visits to China appear to have engaged in discussions of postwar plans with a large number of Chinese officials and businessmen. As the Embassy has reported, it has not always been easy in the best of circumstances to maintain the degree of Chinese concentration on the war effort which we desire,

(the experiences of the Nelson Mission may be cited in this connection), whereas the Chinese sometimes show considerable readiness to talk about postwar plans and to engage in speculation about them, at the expense of their concentration on the immediate problems of the war. While I would not go so far at this juncture as to say that such visits as those of Dr. Remer and of some of the individuals visiting China during the past year under the Cultural Relations Program, have not had very useful aspects, it nevertheless seems to be the case that some of these visits have contributed to an inflated optimism on the part of a number of Chinese both within and without the Chinese Government on the subject of postwar aid by the United States. It is my suggestion with regard to economists, industrial technicians, et cetera, who may be sent to China in the future, that this aspect of the situation be discussed with them by the Department prior to their coming to this country, and furthermore that all civilians coming to China under the auspices of our Government be instructed in their letters of designation to call at the Embassy on arrival, to keep the Embassy closely informed of their activities in advance of undertaking them, and to be guided by the views of this mission in their conversations with citizens of China.

Upon the return to Chungking of Mr. Adler,<sup>33</sup> Treasury Attaché, I propose to discuss this whole subject with him at the first opportunity and also to familiarize myself with such discussions of postwar collaboration between the Chinese and American Governments as Dr. T. V. Soong<sup>34</sup> may have engaged in during his recent stay in the United States.

I should appreciate it also if the Department would keep me closely informed on any discussions on the subject which may be held with the Chinese Ambassador<sup>35</sup> and other officials of the Chinese Government in the United States in the future.

Respectfully yours,

PATRICK J. HURLEY

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611.9331/8-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 30, 1945—1 p. m.

[Received September 1—3:30 p. m.]

1471. In order to safeguard and promote United States investment and trade interests, the Embassy strongly recommends that the Department of State and the Department of Commerce give every assist-

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<sup>33</sup> Solomon Adler.

<sup>34</sup> President of the Chinese Executive Yuan.

<sup>35</sup> Wei Tao-ming.

ance to the earliest possible sending of representatives of American business to China. On July 26 a Swiss economic mission, representative of that country's manufacture of such goods as locomotives, dynamos and electric machinery, arrived in Chungking to visit industrial plants here and to discuss plans for postwar trade. On August 25 the Central News Service reports that more than 10 Soviet industrial and mining experts have arrived here from Moscow by plane recently. They reportedly will hold formal discussions with the War Production Board and Ministry of Economic Affairs in the near future concerning Sino-Soviet operations in industrial and mining enterprises.

The possible significance of the treaty recently concluded between Russia and the Government of China<sup>36</sup> with respect to increasing economic collaboration between these two countries cannot be minimized, especially in view of the fact that Chinese resources for potential industrial expansion are in large part located in Manchuria and North China. In these areas, as in other parts of China, the strongest possible representation of American economic interests will be required, both by representatives of private enterprise and by Foreign Service officers qualified by experience to report on economic developments, and energetic in representing the interest of the United States.

It goes without saying that steps should be taken at the earliest possible time to establish direct air and sea transportation open to commercial travelers and cargo between China and the United States. At the present time, it is to be noted that the British are giving No. 1 priorities for air transportation from India to London to Chinese industrialists seeking to go abroad to conclude contracts for textile machinery and other necessities for postwar reconstruction. The Embassy is informed that the British are also quoting prices for postwar delivery c. i. f. any China port. The advantage which British commercial concerns and representatives in China have enjoyed by virtue of being able to secure exchange through the British Embassy has already been reported on.

The Minister Counselor of Economic Affairs<sup>37</sup> has conferred directly with General Wedemeyer<sup>38</sup> on the matter of granting theater clearance to American business representatives coming to Chungking. General Wedemeyer has been most cooperative in revising the situation existing in earlier months when it has been true that only Ameri-

<sup>36</sup> Treaty of friendship and alliance signed at Moscow, August 14, Department of State *Bulletin*, February 10, 1946, p. 201; United Nations Treaty Series, vol. 10, p. 300; or Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

<sup>37</sup> Walter S. Robertson.

<sup>38</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, United States Forces in the China Theater and Chief of Staff, China Theater.

can nationals (and Chinese) were required to get such clearance before entering this theater. In practice it has been agreed that the army authorities will now refer requests for theater clearance from representatives of American business to the Embassy for its approval and will grant such clearance for persons approved by the Embassy, with the understanding that the army will assume no responsibility for providing transportation.

In the immediate future all military facilities within China will be critically needed in the transportation of military occupational forces. No civilian requests for transportation will be considered except in the cases of those whose services are considered essential to the civil administration of areas taken over from the Japanese. For instance, headquarters has approved (see Embstel 1463<sup>39</sup>) and stated that it would assist in exploiting, the prompt arrival of Lerney M. Pharis, vice-president and general manager, Shanghai Power Company. Headquarters has also advised the British Embassy that it would endeavor to provide transportation for a party of 10 British technicians who were formerly employees of the water works in Shanghai.

Various American companies such as Standard Oil, Texas Company and the William Hunt Company have been seeking the Embassy's assistance in arranging for earliest possible return of staffs to coastal areas. Undoubtedly other requests for sending personnel of American enterprises will also be received by the Department. The Embassy will endeavor to maintain the closest liaison with the army authorities here and advise the Department promptly of information necessary to expedite the arrival of key American business personnel when the military situation has been clarified.

The Embassy would appreciate being informed if the China-America Council of Commerce and Industry intends to go forward with its understood plan to establish an office in China and whether that group or the National Foreign Trade Council is making any plans for sending to China an influential mission representative of U. S. trade and business interests.

HURLEY

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Chungking Embassy Files—850 War Production Board

*President Truman to President Chiang Kai-shek*

WASHINGTON, October 3, 1945.

MY DEAR GENERALISSIMO: I have asked my Personal Representative and the Economic Advisor of your Government, Mr. Edwin A. Locke, Jr., to hand this letter to you on his arrival in Chungking, and to convey to you my personal greetings and assurances of warm esteem.

<sup>39</sup> Dated August 29, not printed.

Mr. Locke is prepared to discuss with you and members of your government the ways in which the industrial experience of the United States can best be utilized to aid the reconstruction and sound peacetime development of the Chinese economy. I have suggested to him that the situation now confronting your nation as a result of the acquisition of large industries in Manchuria and other liberated provinces of China may deserve especial attention.

At the same time, I have asked Mr. Locke to arrange for the early termination of the American Production Mission now in China.<sup>40</sup> As you know, this Mission was established in 1944 as an emergency measure to provide assistance for Chinese war production. With the ending of the war, the Mission has, of course, fulfilled the purpose for which it was created. In arranging schedules of departure for the Mission's personnel, Mr. Locke will work in closest collaboration with your government and will give every consideration to the requirements of China's economy.

I have followed with the most sympathetic interest the efforts of China to increase her industrial production during the war, and currently to revive and expand her peacetime industries. I deeply feel that our nations have a great opportunity for economic cooperation, through which we can give substance to the aspirations of vast numbers of the world's peoples for rising living standards.

With every good wish,  
Sincerely,

HARRY TRUMAN

611.9331/11-945 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*<sup>41</sup>

WASHINGTON, November 9, 1945—8 p. m.

1828. Washington agent American President Lines has brought to attention Dept cable received from Henry Kay Company's general agent Shanghai, reading as follows:

"Foreign exchange control and special Government export permits cover nearly all important exports from China; negotiations for new regulations may prevent shipments indefinitely; working here through customs and Central Bank. American Consulate radioed Bland Calder,<sup>42</sup> Arthur Young,<sup>43</sup> Chungking. Recommend your pressing Washington for necessary action prevent any holdup of cargo ready for shipment."

<sup>40</sup> For documentation regarding sending of American Production Mission headed by Donald M. Nelson to China, see *Foreign Relations*, 1944, vol. VI, p. 247 ff.

<sup>41</sup> Repeated as No. 145 to the Consul General at Shanghai.

<sup>42</sup> Alonzo Bland Calder, Commercial Attaché in China.

<sup>43</sup> American Adviser to the Chinese Ministry of Finance.

Dept has repeatedly emphasized in statements to press and in contacts with business that prompt resumption of business operations in Pacific area is expected and particularly that it is Dept's policy to encourage and facilitate reestablishment American business in China. Dept assumes therefore that Embassy is overlooking no opportunity to stress to appropriate Chinese authorities and local officials its concern in this connection. Dept anticipates forwarding Embassy shortly statement outlining its concern regarding early removal trade restrictions and controls tending retard early resumption normal trading activity.

BYRNES

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611.9331/11-1745: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 17, 1945—8 a. m.

[Received 11:55 p. m.]

2000. Dept was correct in assumption that Embassy had already (ReDeptel 1828, November 9, and representations made by Henry Kay, General Agent, American President Lines, Shanghai) discussed this matter with highest levels Chinese Government and with Arthur Young, Financial Adviser, and L. K. Little, Inspector General, Chinese Customs. Already approved by Ministry of Finance and scheduled for decision by Executive Yuan, November 20, is proposal for temporary waiving of principal export trade controls (sent to Department and Commerce, repeated to Shanghai) and exchange restrictions in order to expedite resumption of trade as key to rehabilitation of Chinese commercial centers.

ROBERTSON

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611.9331/11-2045: Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 20—10 a. m.

[Received November 21—6:30 a. m.]

237. Apparently a considerable part of the export cargo at Shanghai, for which shipping space is now being sought for U. S., is owned by collaborationists and possibly also by enemy nationals working through dummies. (This refers to paragraph 9 of 208, November 15, 8 a. m.<sup>45</sup> and to Dept's 145, November 9, 8 p. m.<sup>46</sup>)

Some headway has been made in Chungking by Embassy toward impressing the concerned Chinese authorities with importance of

<sup>45</sup> *Ante*, p. 1179.

<sup>46</sup> See footnote 41, p. 1355.

clearing obstacles for early resumption of export trade and toward adoption of a liberal attitude regarding exchange rate and control matters. It is presumed, however, that the Chinese authorities will wish to prevent flight of enemy assets and of collaborationist capital and therefore that some sort of screening of export applications will have to be instituted for a time. Consulate General has informally offered to render any possible assistance in order to expedite shipments. This will involve enlistment of cooperation of United States Government intelligence agencies now operating here, if offer accepted, and such processing would unavoidably slow up shipment.

Sent to Dept. ; repeated to Chungking.

JOSSELYN

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893.6363/11-2145

*The Chargé in China (Robertson) to the Secretary of State*

No. 880

CHUNGKING, November 21, 1945.

[Received December 11.]

SIR: I have the honor to attach hereto for the Department's information, copies of the outlines of discussions<sup>47</sup> held recently between Dr. Chin Fen, Vice Minister for Economic Affairs for the National Government of China and Chairman of the National Control Commission of Liquid Fuels, and the several representatives of the American and British oil companies established in China, concerning the importation of petroleum products into China and the subsequent marketing of same.

It is of particular interest to note the Chinese Government's expressed desire that the foreign oil companies resume business and rehabilitate their facilities in China. As for rehabilitation, however, I feel that these companies will hesitate to invest the large sums necessary to restore their properties to pre-war condition until they have some fairly definite assurance that the Chinese Government has no early intention of buying and setting up refineries for handling imported crude oil.

There is also attached a copy of the memorandum<sup>48</sup> prepared and submitted by the Standard-Vacuum Oil Company at Dr. Chin Fen's request, outlining the disadvantages to China of erecting her own refineries so to process imported crude petroleum.

I believe that the Department of Commerce will be much interested in the regulations under which the established oil companies are at

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<sup>47</sup> Outline of discussions of November 13 not printed ; for that of November 15, see extract, *infra*.

<sup>48</sup> Not printed.

present distributing petroleum products released to them by the United States Armed Forces, as set forth in the account of the meeting held November 13, and also in the "provisional Regulations Governing the Import of Oil Products" as translated by The Shell Company of China, Ltd. I suggest that this material be made available to that Department. Incidentally, substantial orders are being booked for importation early in 1946.

Respectfully yours,

WALTER S. ROBERTSON

[Enclosure]

*Memorandum by Representatives of American and British Oil Companies in China*

[Extract]

[CHUNGKING,] November 15, 1945.

*Aims and Policies of Chinese Government Respecting Oil for the Short-Range Post-War Period:*

Dr. Chin Feng had carefully prepared agenda for this meeting and, at the outset, read the following as representing the aims and policies of the Chinese Government with respect to oil for the short-range post-war period:

1. China is very badly in need of supplies of petroleum products and will welcome imports into China by the foreign oil companies;

2. The Chinese Government is going to adopt a policy for the protection of indigenous fuels as these involve alcohol production (largely centered in Szechuan Province) and the development of China's crude petroleum resources in the Kansu and other fields. (Dr. Chin Feng made it clear that later on it may prove more economic and beneficial for China to utilize molasses, now forming the basis for alcohol distillation, for sugar requirements. In this event, alcohol production will be discontinued.);

3. The Chinese Government desires the foreign oil companies to rehabilitate their installations and distributing facilities in China on pre-war scales and the Chinese Government will assist the companies in such rehabilitation. The Chinese Government will try its best to solve satisfactorily the inland shipping problems, as these apply to the transportation of oil products and to the benefit of the oil companies. For the present and pending rehabilitation of the foreign oil companies' terminal and bulk storage facilities and a restoration of normal transportation facilities within China, the Chinese Government desires imports of oils into China to be in drums;



4. The Chinese Government finds it necessary to conserve its foreign exchange. The Chinese Government wishes the foreign oil companies to import as much oil as possible into China and the Chinese Government will try its best to provide foreign exchange for such imports;

5. It is essential that the Chinese Government maintain certain controls over distribution of imported petroleum products in China but will amend the wartime regulations on this matter to as simple a basis as possible.

893.50/11-2545 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 25, 1945—4 p. m.

[Received November 25—10 a. m.]

2035. Announced on November 26 will be establishment of Supreme Economic Council which will function under general direction of President of National Government. Its Chairman and Vice Chairman will be President and Vice President of Executive Yuan respectively. Other members will be Ministers of Economic Affairs, Communications, Agriculture and Forestry, Food, Finance, Education, Social Welfare and Director of National Relief and Rehabilitation Administration. Up to five additional members may be appointed by President of Executive Yuan.

The Embassy is informed by Edwin A. Locke,<sup>49</sup> personal representative of President, that establishment of this body is an outgrowth of his recommendations and discussions in recent weeks with Generalissimo, T. V. Soong and Wong Wen-hao. He states as follows (*inter alia*), in memorandum to Chargé d'Affaires of November 21, 1945:

"Concurrently with my economic survey I have been discussing with Generalissimo Chiang Kai-shek, Premier T. V. Soong, and Vice Premier Wong Wen-hao our observations in the field and ways and means whereby China's serious economic problems might best be met. In these talks we have given especial emphasis to the establishment of an agency at the highest level of authority which would:

(a) Develop broad and realistic policies and programs aimed at the full utilization of China's economic resources for her reconstruction and development.

(b) Provide genuine coordination of the economic activities of the Govt in order to obtain desired results more rapidly and efficiently.

(c) Provide more effective follow up on the execution of policies and programs by responsible Govt agencies; and

<sup>49</sup> Head of the American Production Mission.

(d) Make informative frank and periodic reports to the Chinese national economic conditions and progress.

Throughout these talks, which have been carried on in a spirit of candor, cordiality and sincere friendship, I have made the point that in my judgment China would obtain best results by marshalling all her economic powers in order to help herself rather than by regarding foreign aid as the main key to the solution of her economic problem.<sup>50</sup>

For the Department's information, draft law for the organization of the Supreme Economic Council (Embtel 2034, November 25, 3 p. m.<sup>50</sup>) was written by members of the Locke Mission in collaboration with Dr. Wong Wen-hao. Text of the Generalissimo's statement on China's economic problems to be delivered at first meeting of Supreme Economic Council November 26 was also written by same persons. Because text of this speech is being widely distributed, in accordance with instructions to Minister of Information<sup>51</sup> by T. V. Soong after discussions with Mr. Locke, Embassy will not forward a copy unless so requested. Mr. Locke writes that the establishment of this Supreme Economic Council completes his mission and he intends leaving for Washington November 26.

ROBERTSON

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611.9331/11-2845 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 28, 1945—9 a. m.

[Received 11:31 a. m.]

2051. Export trade restrictions now in force are as reported in Embtel 2049, Nov. 27.<sup>52</sup> Following comments are forwarded for information of Department and Department of Commerce, and further reference to Embtel 2000, Nov. 17, 8 a. m. Proposal for waiving of principal export trade controls and trade restrictions as measure for rehabilitation of Chinese commercial centers appears to have support Finance Ministry and Executive Yuan. Decision for this action was not reached, however, on Nov. 20 as previously scheduled. It now appears that shipments seeking export to a greater extent than at first believed may represent collaborationist cargo and flight of capital and that some way of screening export shipments may therefore be regarded as desirable. Reference Shanghai's telegram to Dept. No. 237, Nov. 20, 10 a. m.

ROBERTSON

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<sup>50</sup> Not printed.

<sup>51</sup> K. C. Wu.

<sup>52</sup> Not printed.

611.9331/12-345 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 3, 1945.

[Received December 3—6 : 10 a. m.]

312. Situation regarding resumption export business now partially clarified and local firms are beginning to apply for certification Consular invoices. (Mytel 237, November 20, 10 a. m.)

. . . Would appreciate having instructions by radio regarding Consular responsibilities, if any, in connection with shipments of goods which may have been enemy owned or of enemy country origin . . .

JOSSELYN

893.50/11-2545 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 4, 1945—7 p. m.

1936. With reference your telegram 2035, November 25, inform Department of extent to which Mr. Locke maintained contact with Embassy during course of his work in China and particularly his consultation with Chinese officials regarding formulation of law creating Supreme Economic Council. Also inform Department of meaning and significance of important sections of law in so far as you are informed concerning them.

BYRNES

893.6363/12-745

*The Chargé in China (Robertson) to the Secretary of State*

No. 934

CHUNGKING, December 7, 1945.

[Received January 3, 1946.]

SIR: I have the honor to submit herewith<sup>53</sup> for the Department's information, copy of a memorandum which has been mutually accepted as a basis for further negotiation between the Chinese Government and the three foreign oil companies long established in China, with the ultimate object of forming a Sino-foreign company to develop certain of China's indigenous petroleum resources. Also attached are copies of letters exchanged between Mr. C. E. Meyer of the Standard Vacuum Oil Company, head of the delegation from his company which acted as spokesmen for the companies in the negotiations which led to the issuance of this memorandum, and Dr. Wong Wen-hao, Minister of Economic Affairs and Chairman of

<sup>53</sup> Enclosures not printed.

the National Resources Commission of the Chinese Government. The other two oil companies concerned are the Shell Company of China, Ltd. and the California Texas Oil Company, Ltd.

It is of interest to record that the Chinese officials negotiating this matter endeavored to have the scheme of organization of the proposed joint company provide for this company to engage not only in production, but to have as well exclusive marketing rights in China for the imported products of the three foreign oil companies, and also to have the present storage and transportation facilities of these companies absorbed into the joint company as part of the foreign companies' contribution to same. On Mr. Meyer's refusal to admit clauses covering such an arrangement to be written into a memorandum even as a basis for future discussion, the Chinese officials agreed to their omission.

While it is the feeling of the foreign oil company representatives that this is only the first step leading toward possible collaboration with the Chinese Government, one gets from discussion of the matter with Chinese officials the idea that there is little doubt in their minds but that this collaboration will take place. Whether it does or not is necessarily dependent on a number of factors, but in any event the fact that the Chinese Government has demonstrated a readiness to permit foreign capital to participate in the development of her petroleum resources is an encouraging sign.

Respectfully yours,

WALTER S. ROBERTSON

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893.50/12-1445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 14, 1945.

[Received December 16—9:35 a. m.]

2160. ReDeptel 1951, December 6.<sup>54</sup> Dr. Soong's address at initial meeting Supreme Economic Council November 26 was generally similar to that of Gimo<sup>55</sup> in its optimism and broad scope. It was characterized however by somewhat greater emphasis on policies required to attain objectives outlined by the Gimo and expressed need of encouragement of (1) unsubsidized private enterprise [and] (2) close cooperation with Allied Nations. Soong stated that Government guidance and assistance to private enterprise would not take the form of subsidies but should consist in more basic activities in field of science and technique, finance, communication and transport and motive power. Importance of finding a successful solution to prob-

<sup>54</sup> Not printed; it requested a copy of Dr. Soong's address.

<sup>55</sup> Generalissimo Chiang Kai-shek.

lems now arising from currency and commodity price situation was especially recognized.

Dr. Soong stated:

“The attitude of the Government towards Allied Nations should be one of close cooperation based on frankness, reciprocity and equality, and such cooperation may [be?] technical, commercial or financial in character. Technically this Council should provide leadership in keeping in touch with countries more advanced in scientific and engineering accomplishments with a view to establishment of mutually beneficial contacts so that the tempo of progress of economic development may be increased. Commercially we shall strive to bring about the conclusion of arrangements in the field of foreign commerce and exchange. Financially we should cooperate with all friendly nations to find avenues for surplus capital and to establish conditions favorable to economic mobility on one hand and to secure its effective utilization for increasing our productive capacity on the other.”

With respect to functions of Supreme Economic Council vis-à-vis economic activities of various governmental departments, Soong stated these to consist of “adjustment and coordination”. By adjustment was meant (1) that employment of national income should be properly apportioned between Government on one hand and business on the [other?]; and (2) that field of economic enterprise should also be appropriately delimited between them. Coordination meant that various departments should be made to eliminate duplication of economic operations and to reconcile conflicting tendencies of economic policy. In dealing with the Government itself then Soong stated that the Supreme Economic Council was to carry through a program of general planning and division between channels of public and private enterprise.

Complete text of Soong’s speech forwarded air mail.<sup>56</sup>

Please inform Commerce.

ROBERTSON

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Marshall Mission Files, Lot 54-D270

*Mr. Edwin A. Locke, Jr., Personal Representative of President Truman, to President Truman*<sup>57</sup>

[WASHINGTON,] December 18, 1945.

DEAR MR. PRESIDENT: When I reported to you, immediately upon my return from China, you asked me to put my views on the Chinese situation in writing. This memorandum summarizes my work in

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<sup>56</sup> Embassy’s despatch No. 964, December 17, not printed.

<sup>57</sup> Copy transmitted to General Marshall by Mr. Locke on December 19. Mr. Locke was also Economic Adviser to the Chinese Government.

China this autumn and presents my findings and recommendations for further action.

In preparing it, and in the work which led up to it, I had the close collaboration of my Economic Adviser, Albert Z. Carr. Important contributions were also made by my Special Assistants, Colonel Harry A. Berk, A. U. S., and Michael E. Lee. All of these men were in China with me, and their help has been invaluable.

#### I. AMERICA'S OPPORTUNITY

China's immediate future, as I see it, will be decided not only by what China does for herself, but also, and to a large extent, by what the United States helps her to do. I should like to make it clear that in my judgment what China needs from America in the way of aid is much more than loans and credits, much more than the physical materials of reconstruction and development, much more even than good advice. Above all else China needs help in making the political and economic changes and improvements which will provide a basis for her peaceful development. The government of China finds difficulty in getting many things done, even when it wants to do them, because of lack of the quality which America calls "know-how". In order to progress rapidly toward democracy and rising living standards, China must have detailed knowledge of what to do and how to do it. I strongly feel that the chief ingredient of American aid to China at this time ought to be "know-how" which will be of practical help in changing basic governmental organization and policy and in assuring effective administration.

To let such aid depend on the achievement of political unity by the Chinese would be to put the cart before the horse. There is no chance for real unity in China unless she takes constructive action which will provide a basis for practical cooperation between the Central Government and the Communists. Even if the Chinese factions were to agree in principle to work together, whether through a central council representing all parties or through any other means, this appearance of cooperation could not last long or mean much without far-reaching changes in China's political and economic institutions and practices.

It is through helping China make such changes that we can best contribute to her unity and so serve the cause of peace and democracy.

Through the presence of American troops sent to China to help disarm and repatriate the Japanese armies, China has been given a breathing spell from full-scale civil war. If, as a result of our influence and aid, she is able to use that breathing spell to reform, liberalize and revitalize herself from within, a real basis for national peace and unity can be established.

Our influence and aid need to go well beyond moral encouragement. It is my impression that most of China's leaders desire to correct the conditions which are now tearing the country apart. Even highly conservative elements prefer liberalization, which they have long opposed, to the collapse which they anticipate, if American troops are withdrawn before internal unity has been secured. I found widespread agreement in principle on the desirability of reform and liberalization. But agreement in principle, by itself, has little practical meaning. The problem of the government leaders is promptly to formulate and carry out specific measures which will give China political and economic democracy; and they do not seem to know quite what to do or how to do it.

That is entirely understandable. The Chinese Government is inexperienced in the principles and techniques of modern democratic government. This inexperience, added to bureaucratic inertia, makes it exceptionally difficult for the government to act swiftly and effectively without help from outside. To a large extent, China's present unrest grows out of these factors.

This then is the essence of America's present opportunity in China: The current breathing spell in China gives us time to help China establish peace, unity and democracy, if we act vigorously and at once to give the Chinese government the benefit of American experience. To make the necessary "know-how" available to China would not impose any great burden on us. We have already made a practical beginning. The chief result of my recent mission to China was precisely the application of American ideas, experience and methods to China's economic problems. While I was there the Chinese Government adopted the most advanced and liberal and specific economic program in its recent history, and established a new organization at the highest level of the government to carry out the program. This program aims at objectives which the entire Chinese people, including the Communists, can support.

A similar approach is needed at once to China's political problems. China ought to be helped to put into effect a practical and specific program of democratic reform and development to which the whole people could rally and with which the Communists could cooperate. I am convinced that such a program is feasible, and that it could go far to ease China's internal stresses and strains, and pave the way for peaceful progress.

China is today confronted with a revolutionary situation brought about in part by governmental inertia and inexperience in meeting the legitimate aspirations of the people, in part by the dislocations resulting from a long and terrible war, and in part by the effects of prolonged and advanced inflation. The Chinese cannot trade or

manipulate their way out of that situation. Political expedients are bound to fail as historically they have always failed under such conditions. The need is for fundamental economic and political action, taken voluntarily by the Chinese Government, to remove the main causes of popular unrest. Failure to take such action, I believe, accounts for the lack of success to date of recent attempts to establish peace between the two major parties of China.

Out of our enormous influence in China has come our present unique opportunity to help China act to preserve peace and assure progress. I believe the best way of making clear my views as to the specific steps needed to utilize this opportunity is through a plain factual statement of what I saw and did in China in carrying out my mission, and the conclusions that I reached as to China's economic and political needs.

## II. OBSERVATIONS ON THE ECONOMIC SITUATION

This was my third visit to China in the past fifteen months. En-route I stopped at Tokyo, where, as I informed you in my report of October 19,<sup>58</sup> my information on China's economic position was further supplemented by material made available to me from Japanese sources, through the generous cooperation of General MacArthur. Thereafter, I visited Chungking, Canton, Formosa, Shanghai, Hankow, Tsingtao, Tientsin and Peiping and observed economic conditions at firsthand. In accordance with your instructions, I did not go into Communist-held territory and I was unable to visit Manchuria because of the military situation; but what I have seen with my own eyes, added to extensive data accumulated during the last year and a half in Washington, has, I believe, given me a clear picture of the Chinese economy as a whole.

Of the many troubles and difficulties which now beset the Chinese economy, there are four which, in my judgment, are of crucial importance. The key to China's economic future lies in the action or inaction of the Chinese Government with respect to:

1. Shortage of transportation. China has no real transportation system in the modern sense. Under present conditions, with Communist and guerrilla troops cutting key railroads, especially in the North, and with a shortage of rails and railroad ties for repairs, China's railroads are more than ever inadequate. Her air transportation is a minor economic factor. Meagerness of existing river transportation and highway trucking facilities have caused fuel and food distribution to fall below the danger point in many areas. Primarily as a result of the transportation shortage, great cities like Canton and Hankow are now burning wood in place of coal in a desperate effort to keep their power plants running for just a few hours per day, and the people of these and other cities face the prospect of a coal-less winter.

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<sup>58</sup> Not found in Department files.



2. Inadequate food production. Agricultural production is dangerously near bare subsistence levels for the Chinese people. Yields per acre and per farm family are wretchedly low. There is no margin of safety. A spell of bad weather can be a major catastrophe. In some areas shortage of fertilizers is now imperiling crops, while lack of insecticides makes plant diseases a constant threat. Bad agricultural practices are prevalent, resulting in part from ignorance of modern farming techniques, and in part from the difficult economic conditions—the excessive rents, taxes, and interest rates—under which most of China's immense farm population works.

3. Idle Factories. As Generalissimo Chiang Kai-shek told the Chinese people on November 26, most of China's industries are at a standstill. Businessmen and industrialists are unwilling to make commitments because of the uncertainties brought on by monetary inflation and financial instability. A large number of industrial workers are without employment. In Shanghai three workers out of four are idle. Manufactured goods such as textiles, are becoming increasingly scarce and costly. Difficulties in the way of getting industries back into early operation are enormous. Not only does the shortage of power and fuel constitute a major handicap but, in addition, the country is short of trained managers, technicians and skilled workers to replace Japanese personnel which operated most of China's factories during the war. The extensive and painstaking removal by the Japanese of industrial machinery and equipment from West and South China have further dislocated the Chinese industrial economy.

4. Bad social conditions. The social foundations of the Chinese economy, never strong, have been further weakened during the Japanese occupation—especially sanitation, medical facilities, and education. The physical destruction of factories and houses by bombing and the fact that, aside from Japanese-owned industries, there has been virtually no new construction for eight years have produced a serious shortage of buildings of all kinds, becoming even more acute as vast numbers of refugees straggle back from the hinterland to their urban homes. In some cities, as in Canton, Chinese by the thousands are sleeping in the streets despite the onset of cold weather.

Viewed in proper perspective, these economic ills are no worse than might be expected after eight years of war in an under-developed country. In my judgment, a soundly conceived, systematic and energetic attack could yield quick results for China in increasing agricultural and industrial production and distribution, in overcoming inflation, and in improving mass conditions of life. China's chief need just now is for the governmental will and know-how to overcome her economic problems. My main conclusion from what I saw of China is that she needs strong economic action, aimed squarely at a rise in the mass living standards of the people; and that such action, if coupled with sound democratic political reform and development, would offer real promise of internal peace and unity.

But I also concluded that the Chinese Government needs help and inspiration if it is to provide the nation with the leadership essential

to constructive action. Accordingly, in my capacity as Economic Adviser to the Chinese Government, I recommended to Generalissimo Chiang Kai-shek that a definite program of action be developed at once, designed to meet the actual economic needs of the people. As I cabled you on November 24,<sup>59</sup> he accepted this recommendation, and at his request I aided him in preparing the actual program.

Announced by the Generalissimo personally on November 26, the new economic program calls for immediate action to strengthen Chinese transportation. As one phase of this activity, it puts into motion a national road building program employing Japanese prisoners, pending their repatriation. It provides for far-reaching social and economic improvements benefiting China's agricultural masses, as well as for increased use of fertilizers, insecticides, and improved seed and free instruction of farmers in modern agricultural methods. It lays down the economic actions essential to early industrial revival and development, as well as expansion of China's foreign trade, such as removal of wartime restrictions, recruitment of qualified industrial managers, technicians and skilled workers, importation of essential machinery and equipment, and stabilization of Chinese currency. It puts emphasis on the need to improve standards of housing, health, and free public education as a social base for further economic development. Finally, it opens the way for an organized and unified program of government encouragement and assistance to projects most useful to China's economic development over the next five years, with special emphasis on the harnessing of China's great rivers.

In announcing this program, the Generalissimo showed that he was interested above all in getting results. As to method, he appears to be thinking in terms not of a nationalized economy, but rather of vigorous governmental economic leadership and cooperation with the farmers, workers and industrial managers of China. The Central Government does not propose to assume detailed administration of the nation's economic life, he stated plainly. Instead, its aim is to do everything possible to assure the well-being of private enterprise under honest and effective local government. Provincial, district and city officials, he announced, must assume direct responsibility for leadership in the economic reconstruction and development in their own areas. The Generalissimo also made it plain that China must not rely entirely on foreign aid to achieve her economic goals but must help herself.

At the same time that I recommended this program to the Generalissimo, I also recommended the creation by the Chinese Government of a Supreme Economic Council to lay down broad economic policy

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<sup>59</sup> Not found in Department files.

and coordinate the economic activities of all departments of the government. The Generalissimo, who had already been thinking along similar lines, accepted this recommendation and invited my collaboration in preparing the necessary organic law.

The Supreme Economic Council was established on November 26 to function under the general direction of the President of the Republic. I believe it is unique among the organs of the Chinese Government in that its avowed goal is "a substantial and steady rise in the mass living standards of the people." To attain this objective, it will "direct and assist the early, sound and vigorous economic reconstruction and development of China," and will have full and final authority over the economic activities of all agencies of the Government.

If the Supreme Economic Council acts with energy, the political effects should be very far-reaching. One effect will be to ease the political tensions of China. There is little if anything in the program enunciated by the Generalissimo to which the Communist Party of China could take exception, in the light of their own announced economic programs. The work of the Supreme Economic Council can and should be a first step in providing an economic base for unity with the Communists.

It must be recognized, however, that the immediate program laid down by the Generalissimo for the Supreme Economic Council is as yet largely a statement of good intentions. What counts will be the action taken to make good the intentions.

Left to their own devices, the Chinese will find it exceedingly difficult if not impossible to carry out many important parts of this new economic program. China lacks the administrative and managerial experience and personnel necessary to get such a program soundly underway, not to mention shortages of essential materials and physical equipment.

The Generalissimo stated to me his view that foreign help is indispensable to China if her economic reconstruction and development are to make real and rapid progress. Recognizing as he does that America has no intention of exploiting China or trying to dominate her, he would like to see the American Government send to China an Economic Advisory Commission which would reside there for a considerable time and work closely with the Supreme Economic Council. This request is embodied in his letter on November 26th<sup>60</sup> which I have handed to you.

In my opinion, the United States can properly grant this request. I recommend that an Economic Advisory Commission be sent to China

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<sup>60</sup> Not found in Department files.

promptly to work with, help and advise the Chinese government in developing and putting into action policies and programs applicable to all parts of China, and to which Communists as well as Kuomintang adherents could give support.

Techniques for practical cooperation between an American economic mission and the Chinese government have already been established and have worked well in the relationship between the Chinese War Production Board and the American Production Mission sent there to aid China in 1944.<sup>61</sup> Experience in this operation affords both a guide and a sound reason for believing that an American economic mission with an even broader purpose can be effective in China.

I pointed out to the Generalissimo the difficulties of recruiting highly qualified men in this country for residence in China. As a measure to help overcome this difficulty, I suggested to him that he explore the possibility of creating in this country a consultative board of leading Americans who would advise the Chinese government on economic matters primarily from the standpoint of representative American industry, and aid them in recruiting superior personnel for work in China. The Generalissimo and Premier Soong both expressed their approval of this suggestion and their intention to act upon it, if you have no objection.

During my stay in China I also carried out your instructions to terminate the American Production Mission, established in 1944 to aid China's war production. All personnel of the Mission have now left China. This action, taken in conjunction with the formation of the Supreme Economic Council is considered in China as marking the end of the wartime phase of America's economic cooperation with China and the beginning of postwar cooperation between the two countries.

### III. OBSERVATIONS ON THE POLITICAL SITUATION

I strongly feel that if the action which the Generalissimo has taken in the economic field is paralleled by forward-looking political action, the result can be to end civil strife and speed up China's reconstruction and development. Neither Chiang's government nor the Communist party of China is committed to war. Both sides need peace in order to do anything constructive for China. Genuine peace in China is inconceivable while two authoritarian governments stand opposed. Their only hope of peaceful cooperation lies in a mutual and simultaneous ending of authoritarian government. Both sides could, I believe, be brought into a government which vigorously took the road toward true democracy, both political and economic. Given genuine

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<sup>61</sup> For mission of Donald M. Nelson, see *Foreign Relations*, 1944, vol. VI, pp. 247 ff.

democratic government in China, the will of the peacefully-disposed Chinese masses could make itself felt; and I think the mutual distrust of the Communists and the National Government would in time be sufficiently removed to make possible a fusion of their two armies. In setting up a sound basis for democracy in China, it would, of course, be necessary to safeguard the country against authoritarianism in any form, be it from the left or from the right.

Although I had no contact with the Chinese Communist Party, the over-all political situation was made abundantly clear to me, not only by experienced American observers but also by loyal supporters of the present regime who are nevertheless sufficiently objective and aware to face the realities of Chinese political life. The outstanding fact is that the Central Government has been steadily losing the broad popular support which it had in its earlier years, and which it regained briefly as a result of the victorious ending of the war. The people in Kuomintang China feel that there is little to choose between the Central Government and the Communists so far as their welfare is concerned. That state of mind was so evident that I had no hesitation in speaking of it frankly to key officials of the Central Government who recognized the fact and its implications.

The dissatisfaction of the people, however, does not seem as yet to have seriously impaired the status of Chiang Kai-shek himself. Apparently most of the people still strongly believe in him and do not blame him personally for the deficiencies of his government. Here and there he is bitterly attacked—in Chungking I received anonymous communications through the mail warning me not to trust Chiang—but on the whole it is certain of the Generalissimo's ministers and officials who bear the brunt of mounting criticism.

Recent relaxation of the censorship of the Chinese press now permits the publication of anti-government journals in Kuomintang China and these journals are hot in attacking the obvious abuses and failures of the government. Some conservative Chinese regard the left wing press with alarm as a harbinger of revolution, but the more progressive members of the government agree that it serves as an essential safety valve for public opinion and as a healthy influence on the government. Careful readings of the Chinese press, added to talks with Chinese in all walks of life, strongly suggest that the Chinese people today base most of their political criticism of the Central Government on three counts:

1. Failure to give democracy to China. Several times in recent years, the Central Government has promised to convene a constitutional assembly which would give China a democratic constitution, but each time the assembly has been postponed. The Chinese people want democracy. Psychologically they are ready for it. They resent

authoritarian practices. As matters stand, many essential operations of the government are under the direction of reactionaries who have no genuine feeling for the pressing needs of the people and who are consequently a dead weight on China's progress in this critical time. There is no means by which popular opinion can get rid of incompetence in high places, or prod into action those government officials who are weltering in political and economic plans without doing anything constructive about them. Often governmental decisions of the greatest urgency are endlessly delayed. Even when such decisions are finally made, they are not carried out with sincerity or expedition because of a lack of a sense of responsibility among officials who feel themselves remote from the people and who cannot be called to account by the people.

2. Tolerance of pro-Japanese elements. In many places in the liberated provinces of China the Government is using the services of former "puppet" officials who collaborated with the Japanese. In some areas armed Japanese troops are employed by the Government. Officials of the Central Government state that the use of "puppets" and Japanese is a temporary expedient to enable the government to gain control of the mechanisms of political and economic administration with a minimum of disturbance. But the people see native traitors and enemy nationals accorded dignities and comforts while cold and hunger are the lot of millions of Chinese, and resentment is growing.

3. Widespread corruption. Official corruption is of course an old story in China. It is especially hard to eliminate because of the institutional quality which it has taken on as a result of centuries of "squeeze." Government salaries in many cases are so small that government employees cannot exist without supplementing their incomes by whatever means come to hand; and political graft is taken for granted among them. The people, I was told, are becoming increasingly indignant as they see government and Kuomintang officials fattening their purses at the public expense, and without even providing efficient administration in return. I heard indignation particularly directed at provincial and municipal officials who, starved for political spoils during the war years, have now descended on the liberated provinces and cities like hungry locusts.

The Generalissimo has indicated his determination to bring about needed political reforms in China. For example, in establishing the Supreme Economic Council he promised the people that corrupt officials would be sought out, removed from the government and severely punished for their crimes. Moral reform would certainly help China greatly. But China's primary need is for far-reaching action by the Central Government not only to reform but to transform itself into a government representative of the people and working for the true interests of the people.

There are of course many reactionaries in the Central Government who would oppose any such development. But I believe that key men of the government stand ready to make the fundamental political changes which China requires, if they are shown how to do it and given help in doing it by the United States. Just as they responded

to American inspiration and guidance first in organizing for war production, and now in taking the initial postwar steps looking toward a progressive economic program, so I believe they would respond to our inspiration and aid in bringing democracy and sound government to China.

If, with the help of the United States, China adopts political measures aimed at the early introduction of democracy while vigorously pursuing her new economic program, it should not take long to allay the violent political antagonisms which are now tearing her apart. The Communists have every reason to support a government in which they would share, and which would permit the peaceful political evolution of China.

If China wishes our help in establishing democracy and sound administration, I believe that this government ought without delay to work out methods of practical cooperation with the Chinese in efforts to prepare an effective democratic constitution, separate China's Kuomintang party from the National Government, eliminate authoritarian practices, set up modern governmental organization and procedures, and create and protect the "grass-roots" institutions of local democracy in villages, towns, cities and provinces. This might be done in part by sending qualified American specialists in such fields as constitutional law, government, and public administration to China to give aid and counsel, and in part by arranging for visits to this country by Chinese officials for the purpose of observing the practical operations of democracy at first hand.

In addition to such arrangements, there is in my judgment strong need for full and frank discussions with the Russians and the British as to the nature and purposes of our cooperation and theirs with China in the economic and political sphere. Such discussions carried on against the background of American aid to China aimed at genuine political and economic democracy could, I believe, go far to assure Russian and British cooperation in encouraging a peaceful solution of the existing strife in China. It is conceivable that a common policy toward China by the great powers might result, and that constructive leadership by America in promoting needed political and economic changes in China could be of major importance in bringing about closer international cooperation generally.

#### IV. THE PRESENT "BREATHING SPELL" IN CHINA

As I said to you in my memorandum of August 20 ("A Proposal Aimed at Averting Civil War in China").<sup>62</sup>

"If civil war comes to China I think that it will be long and costly. I feel sure that the Central Government cannot win a quick

<sup>62</sup> *Ante*, p. 448.

victory. . . <sup>63</sup>—Under circumstances much more favorable to them than those existing today they tried consistently throughout the ten-year period preceding the Japanese war to destroy the Communists, and failed. The Communists, although at the present time probably even less well equipped than the Central Government's troops, are highly disciplined, well entrenched in a relatively impregnable area, skilled in guerrilla warfare, and ably led. . . . If they can get hold of considerable quantities of Japanese arms—as seems likely—they will be even more formidable opponents.”

I was reliably informed in November that the Communists in Southern Manchuria have acquired large stores of Japanese munitions.

The effectiveness of Communist propaganda behind the Central Government lines must also be reckoned with in the event of full-scale civil war. Communist promises and some demonstrations of their policy in giving the people personal ownership of land, reduced rents, taxes and interest rates, better government and higher wages are attractive to the Chinese peasants and city workers. Because of prolonged blockade and lack of industries, people in Communist China on the average are probably even worse off than people in Kuomintang China, but at least the Communists have tried with some success to equalize the hardships of life in China—a fact which has great popular appeal.

Realistic men in the Central Government are keenly aware that civil war could only intensify China's suffering over a period of years and might end by defeating the constructive aims of both the Central Government and of the Communists, leaving China in political anarchy and economic destitution.

I think it likely that in the event of full-scale fighting both sides would make use of Japanese troops now in China. This development is suggested by the Central Government's current employment of armed Japanese soldiers for the protection of communications in some outlying areas of north China, and by the surprisingly good living conditions of Japanese prisoners, as observed in concentration camps. Troops of the Japanese puppet governments of the liberated provinces are also currently serving the Central Government. There is obvious danger that under these circumstances civil war would give the Japanese a rare opportunity to help keep China divided and weak.

The policy of this government is that our troops in China will not take part in China's internal strife, and that they are to be brought home as soon as they have finished their job in helping to disarm and repatriate the Japanese. But to my mind it should also be made plain to the world that the presence of these troops is giving China an all-important “breathing spell”. It should be made plain that we are

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<sup>63</sup> Omissions indicated in the original.



using this opportunity to aid and encourage the adoption by the Chinese Government of economic and political measures designed to provide an enduring basis for peaceful settlement of the struggle with the Communists, and which will bring a fuller life to the Chinese people. The world would welcome such action on our part. It would be the clearest possible proof of the soundness of our present policy in China.

#### V. SUMMARY OF RECOMMENDATIONS

The aspirations of the United States for an expanding world economy in which we, like other peoples, can find security and rising living standards, demand a peaceful and developing Orient.

We now have an opportunity to utilize our influence in China to end civil war and speed China's reconstruction, development and democratic evolution. We can do this by encouraging and assisting the Chinese Government to take constructive economic and political action, aimed at national peace and unity. The adoption by the Generalissimo of a liberal economic program and the establishment of the Supreme Economic Council are an encouraging sign of good intentions in the Central Government. We need to follow up this first step without delay.

If we fail to utilize our opportunity, if we confine our practical cooperation with China to the military sphere, we are bound to be confronted by what Walter Lippman has called a "horrid dilemma": either we will become entangled in China's civil war, or, when we get out of China, we will leave her hopelessly divided, dangerously weak, and an inviting prey for foreign imperialism.

As I see it, there is only one way to get off the horns of the dilemma. That is to aid the Chinese government to take immediate economic and political measures which can produce political unity before our troops leave China.

The Central Government is keenly aware of its need for good relations with Russia. Russia has reason to welcome American influence in China while that influence encourages political and economic democracy, and internal peace. Given the necessary aid and stimulation from this country, I feel that China could make great strides in its foreign relations, and that the international stresses and strains which now center there could be greatly eased in a short time.

The four specific recommendations for action by this country made in the preceding pages all have the single aim of assuring a peaceful, democratic and developing China, on good terms with the world. Summarized, these recommendations are:

1. That America send a qualified economic mission to China as soon as possible to aid China's Supreme Economic Council to carry out its liberal program and generally to further China's economic reconstruction and development.

2. That we give full practical cooperation to the Generalissimo and his Government in democratizing China's political life and providing modern and efficient government.

3. That we discuss with Russia and England the nature and purposes of our cooperation and theirs with China in the economic and political sphere, and work out if possible a common policy toward China.

4. That we make it clear to the American people and to the world as a whole that the presence of our troops in China to assure the disarming and repatriating of the Japanese provides a breathing spell from civil warfare, during which we are encouraging and helping China to put into effect political and economic measures needed to provide a basis for lasting peace.

In my view, action openly taken along these four lines could be of enormous aid to China. It would end the dilemma of policy in which America now finds herself with respect to China and it would have the overwhelming approbation not only of the American and Chinese people but of world opinion as a whole. Out of these actions, if properly carried through, could emerge a democratic and peaceful China, contributing on an ever-increasing scale to the expanding world economy on which the world's future, and America's depends.

[File copy not signed.]

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711.93/12-1945 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 19, 1945—7 p. m.

2022. The President on December 18 sent the letter quoted below to the heads of the following agencies: Treasury, Commerce, Agriculture, Interior, Eximbank, Civil Aeronautics Board, Maritime Commission, Federal Communications Commission, Reconstruction Finance Corporation, and to Mr. E. A. Locke, Special Representative of the President.

"I enclose a copy of a White House press release of December 15, 1945, which contains a statement of United States policy towards China.<sup>64</sup> You will note that the last paragraph of this release states:

'As China moves towards peace and unity along the lines described above, the United States would be prepared to assist the National Government in every reasonable way to rehabilitate the country, improve the agrarian and industrial economy, and . . .<sup>65</sup> would be prepared to give favorable consideration to Chinese requests for credits and loans under reasonable conditions for projects which would contribute towards the development of a healthy economy throughout China and healthy trade relations between China and the U. S.[']

<sup>64</sup> See President Truman's letter to General Marshall, December 15, p. 770.

<sup>65</sup> Omission indicated in the original telegram.

In my instructions to General Marshall I informed him that I desired him, as my Special Representative, to bring to bear in an appropriate and practicable manner the influence of the United States to the end that the unification of China by peaceful democratic methods may be achieved as soon as possible. I also authorized him to inform Chiang Kai-shek and other Chinese leaders that 'a China disunited and torn by civil strife could not be considered realistically as a proper place for American assistance' in connection with the Chinese desire for credits, technical assistance in the economic field and military assistance.

In order that General Marshall's mission may not be prejudiced in any way, I desire that all conversations with Chinese officials regarding extension of American economic or financial aid to China, in which officers of your organization may be participating, be suspended, and that for the time being no member of your staff engage in conversations with Chinese officials, which might encourage the Chinese to hope that this Government is contemplating the extension of any type of assistance to China, except in accordance with the recommendations of General Marshall.

All discussions and negotiations with Chinese in this country should be initiated or resumed and carried on only in complete coordination with General Marshall and recommendations in the premises, both from and to General Marshall, should be cleared through the Department of State."

Please inform the representatives in China of any of these agencies.

ACHESON

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893.50/12-2045 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 20, 1945—2 p. m.

[Received December 22—6:16 a. m.]

396. From Chargé in Shanghai. "Locke promptly established upon arrival most cordial and friendly personal relations with Embassy and maintained them throughout his mission in China (ReDep-tel 1936, Dec. 4). He kept us fully informed as to his itineraries and in personal conversations at various times described his activities as consisting of making inspections of industrial installations, discussing existing conditions with various Government officials and industrial managers and gathering statistical and technical information upon which to base his recommendations.

Sent to Department, Shanghai serial No. 396, Dec. 20, 2 p. m.; repeated to Chungking.

His first actual report to Embassy was memorandum dated Nov. 21 prepared in response to Embassy's request and submitted a few days before his departure. This memorandum was partially quoted Embassy's telegram 2035, Nov. 25. His recommendations including plan

for establishment of Supreme Economic Council were not discussed with Embassy prior to submission to Chinese. However, such recommendations were read to us immediately prior to public announcement.

For your confidential information we are informed by a prominent American in high position as adviser to Chinese Government that Chinese humored Locke out of respect to President Truman and to please Donald Nelson. From the apparent 'run around' given Locke upon his arrival, from the apparent indifference of Soong to his mission and from remarks dropped here and there Embassy gained the impression that Locke's mission was not considered by Chinese to be qualified either economically or technically to cope with China's complicated and grimly [serious?] problems.

In opinion of Embassy, the most significant feature of law establishing Supreme Economic Council is provision giving Council full authority and final decision regarding activities of various ministries and agencies of Government, thus making possible overall planning and coordination. Embassy heartily agrees that there is an urgent need for effective planning and coordination and if establishment of Council will bring about such a result Locke's mission will have made an invaluable contribution to China's floundering economy. Soong working with same Ministry officials who by this law automatically become members of Council has been working to this end. It remains to be seen to what extent the establishment of Council will aid in the accomplishment of announced objectives. Also of interest and concern will be the extent to which the authority of Council will be used to control and restrict private enterprise.

There has been little public reference to Council in press or otherwise since first publicity planned and initiated by Locke working through Minister of Information. We are informed that no members of the Council other than those provided for by law have yet been appointed, namely President and Vice President [of] Executive Yuan, the heads of Ministries and the Director of UNRRA [*CNRR*]. Chiang Mon-lin, Secretary General of the Executive Yuan and concurrently Secretary General, Supreme Economic Council, is reportedly in charge of recruiting Council staff but little progress is understood to have been made. Robertson."

JOSELYN

611.9331/12-345 : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*

WASHINGTON, December 26, 1945—4 p. m.

343. Material requested Urtel 312 Dec 3 forwarded air mail<sup>66</sup> . . . Although Consulate General has no definite responsibilities in invoice certifications for shipments to US suspected to be enemy owned or of enemy origin Dept will rely on exercise your judgment on questionable shipments to prevent far as possible flight of enemy assets by informal cooperation to reasonable extent with Chinese Maritime Customs in screening export applications as suggested Urtel 237 Nov 20.

BYRNES

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<sup>66</sup> Department's unnumbered instruction of December 18, not printed.

POSTWAR TRANSFER OF FOREIGN DIPLOMATIC QUARTER, INTERNATIONAL SETTLEMENTS, AND CONCESSIONS TO CHINA<sup>1</sup>

793.003/10-2745 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, October 27, 1945—5 p. m.

[Received 10:45 p. m.]

112. At invitation chairman of former Shanghai Municipal Council, British Consul General and myself attended informal meeting of councilors yesterday regarding implementation of 1943 treaties<sup>2</sup> concerning International Settlement. It was indicated that Council considers itself still in being and that it will assemble information regarding assets and liabilities of Settlement, particularly pensions and debentures, and that it may later seek assistance of British and American Governments in bringing these questions before Chinese Central Government. British Consul General informed me after meeting that he had just received instructions and information from British Foreign Office through British Embassy which [he] had not yet had time to study, but that he probably would discuss them with me later.

Sent to Department; repeated to Chungking.

[JOSSELYN]

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793.003/11-1045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 10, 1945—9 a. m.

[Received 5:15 p. m.]

1957. Mr. Leo Lamb, Chinese Counselor of British Embassy, called yesterday. He said events subsequent to Japanese surrender having anticipated procedure for handing over British Concessions at Shameen (Canton) and Tientsin, also International Settlements [at] Shanghai and Kulgansu (Amoy) and diplomatic quarter [at] Peiping, British Govt felt that time has arrived to regulate situation. Mr. Lamb

<sup>1</sup> For previous documentation on this subject, see *Foreign Relations, 1944*, vol. VI, pp. 1156 ff.

<sup>2</sup> For treaties on relinquishment of extraterritorial rights in China, signed January 11, 1943, at Washington and Chungking, respectively, see Department of State Treaty Series No. 984, or 57 Stat. 767, and League of Nations Treaty Series, vol. CCV, p. 69, or *British and Foreign State Papers*, vol. CXLV, p. 129.

recalled that by 1943 Extraterritoriality Treaty British Govt undertook to cooperate with Chinese Govt to reach any necessary agreements with other concerned govts for transfer of places mentioned, including official assets, obligations, etc. Mr. Lamb said present situation is that Chinese authorities have already taken possession of premises of previous municipal authorities and are actually running their administrations (foreign representatives of previous municipal administrations being interned or abroad as evacuees at time of Jap surrender and thereafter). He said British Govt felt present situation is unsatisfactory and that urgent action is necessary to endeavor to regulate situation. He said that while handing over is agreed to in principle, 1943 treaty presupposes formal agreement between govts concerned; multilateral in case of International Settlements and bilateral in case of Concessions.

Mr. Lamb said British Govt has decided to take initiative in case of Tientsin and Shameen concessions, by informing Chinese Govt that, now that hostilities have ended and more normal conditions restored, they are ready to implement undertaking concerning transfer of concessions to China. He said at same time it seemed to follow that they should similarly indicate their willingness to implement undertaking to concert with Chinese and other interested govts in discussing machinery and form of agreement for transfer of Settlements and diplomatic quarter. He said that, in raising these questions with Chinese, they are touching matters which concern other nations with interests in Settlements and diplomatic quarter and who have negotiated similar treaties with China; he had therefore been instructed to inform American Embassy of action proposed by British. As questions will not be capable of solution without joint action between all interested powers, he inquired whether American Embassy was prepared to refer question to State Dept with view to making similar communication to Foreign Office.

We believe that U. S. Govt should inform Chinese Govt that we are now ready, in accordance with articles 2 and 3 of our 1943 treaty for abolition of extraterritoriality, to cooperate with Chinese Govt for reaching of any necessary agreements in connection with diplomatic quarter in Peiping and International Settlements in Shanghai and Amoy.<sup>3</sup> Dept's instructions are requested.

ROBERTSON

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<sup>3</sup> In telegrams No. 2246 and No. 2247, December 30, the Chargé in China quoted translations of texts issued by the Chinese Government on November 27 of "measures for the taking over of concessions, settlements, and the Peiping Legation quarter" (effective November 24) and "organic regulations [of] liquidation commissions for official assets and official obligations and liabilities of settlements, concessions and of the Peiping Legation quarter" (893.102/12-3045).

893.102/11-2945

*Memorandum Prepared in the Division of Chinese Affairs*

[WASHINGTON,] November 29, 1945.

MEMORANDUM IN RE THE INTERNATIONAL SETTLEMENT AT SHANGHAI,  
CHINA

## DEFINITIONS

In order to clarify what may be unfamiliar terms we make the following definitions: (*a*) the Land Regulations and By-laws for the Foreign Settlement at Shanghai, North of the Yang King Pang, will be designated as the Land Regulations; (*b*) the International Settlement at Shanghai will be designated as the "Settlement"; (*c*) the Council for the Foreign Community of Shanghai or as it is incorrectly called, the Shanghai Municipal Council, will be designated as the "Council"; (*d*) the words "the Settlement" designate the area set aside for the residence of foreigners; (*e*) the word "Council" designates the Executive Committee or governing body of the Settlement; (*f*) the words "rate payers" designate the foreign tax payers and voters of the Settlement; (*g*) the words the "Provisional Council" refer to the Provisional Executive Committee or governing body of the Settlement organized in 1941; (*h*) the Treaty between the United States of America and the Republic of China relating to the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters will be designated as the New American Treaty; (*i*) the Treaty between His Majesty in Respect to the United Kingdom and India and His Excellency the President of the National Government of the Republic of China for the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters will be designated as the New British Treaty; (*j*) the National Government of the Republic of China will be designated as China; (*k*) the Japanese-sponsored Nanking Government of China will be designated as the "Puppets"; (*l*) citizens of the United States of America will be designated as Americans; (*m*) subjects of the United Kingdom and India will be designated British; (*n*) the United States of America will be designated America; and (*o*) the United Kingdom and India will be designated Britain.

## FACTS

[Here follows brief survey of developments since 1845.]

Upon the advent of World War II, the Japanese Naval Landing party occupied the Settlement and requested the British and American Councillors to continue in office. Thereafter the Naval Landing party issued a proclamation stating that it would comply with International Law and ordering all civil servants to remain at their posts, otherwise they would be punished.



On or about December 28, 1941, Mr. Okazaki, Japanese member of the Council, and concurrently Counsellor of the Japanese Embassy, informed the British Chairman of the Provisional Council, Mr. J. H. Liddell, that the Japanese Government could no longer permit American, British and Netherland members of the Provisional Council to perform their duties. Such members, however, were requested to continue the duties performed by them on Committees. Subsequent to this time, the American, British and Netherland members of the Provisional Council resigned, but continued to perform their duties as members of Committees.

Two American members of the Provisional Council, Messrs. N. F. Allman and R. T. McDonnell, and one British member, Mr. C. A. Haley, were not in Shanghai of [on?] December 8, 1941. They were unable to return and therefore did not resign. They are still, as far as can be ascertained, members of the Provisional Council.

In January 1942 Mr. Okazaki was elected Chairman of the Provisional Council, which continued to function without American, British and Netherland members. The majority of the foreign civil servants remained at their posts, while some of them were retired on pension or discharged. The Provisional Council continued to function in this manner until all of the American, British and Netherland Councillors and employees were repatriated or interned. In August 1943 the Japanese Government handed over the Settlement to the Puppets.

Upon the termination of the World War II, China assumed control and administration of the Settlement. Coeval with this act, China took possession of the assets of the Settlement without first making necessary agreements with other Governments concerned for the transfer of such administrative control and assets; without making any provision for the discharge of the obligations and liabilities of the Settlement; and without providing for the protection of all legitimate rights therein. Thereafter interested parties informally called the attention of the local Chinese officials to the fact that the Settlement had many creditors and unpaid obligations; and that a large group of former civil servants of the Settlement, most of whom were British, who had been interned or discharged by the Japanese, were without funds, satisfactory living quarters, or adequate food. The local officials replied that the matter had been referred to the Chinese Government for instructions.

In view of the facts hereinbefore related, it appears that the American Government has a substantial interest in the Settlement, which it has sponsored and protected by diplomatic representations, and even armed force, almost from its very inception. Relying upon the

treaties, Land Regulations, and American protection, American business enterprises and two large American Public Utility Companies, the Shanghai Power Company and the Shanghai Telephone Company, have invested large sums of money in Shanghai. The Council has since its inauguration employed some Americans, and the action of China in taking over the control and administration of the Settlement affects about fifteen of them. These former employees have a variety of claims, including pensions, superannuation funds, gratuities, and traveling expenses. No accurate statement can be made as to the number of American debenture holders without access to the Council's records. It is believed, however, that a number of Americans have invested their savings in these securities.

The purpose of this memorandum is to discuss the liability of the Chinese Government and to make suggestions for the joint action of the American and British Governments in order to rectify the present unsatisfactory condition. The salient points for discussion are: (1) the effect of China's taking over of the administration and control of the Settlement, and (2) the appointment of a commission similar to the former Court of Foreign Consuls, by America, Britain, China and other interested powers to pass upon claims of creditors and to make necessary agreements.

THE EFFECT OF CHINA TAKING OVER THE ADMINISTRATION AND  
CONTROL OF THE SETTLEMENT

In order to determine the effect of China taking over the administration and control of the Settlement, the new American and British Treaties should be analyzed and construed. Article III of the New American Treaty provides:

"The Government of the United States of America considers that the International Settlements at Shanghai and Amoy should revert to the administration and control of the Government of the Republic of China and agrees that the rights accorded to the Government of the United States of America in relation to those Settlements shall cease.

"The Government of the United States of America *will cooperate with the Government of the Republic of China for the reaching of any necessary agreements with other governments concerned for the transfer to the Government of the Republic of China of the administration and control of the International Settlements at Shanghai and Amoy, including the official obligations of those Settlements, it being mutually understood that the Government of the Republic of China in taking over administration and control of those Settlements will make provision for the assumption and discharge of the official obligations and liabilities of those Settlements and for the recognition and protection of all legitimate rights therein.*"

Article IV, Sections 1 and 2 of the New British Treaty contain provisions which are almost identical with Article III of the New American Treaty.

In construing the pertinent clauses of the new treaties, due regard and consideration must be placed upon the Land Regulations.

Article XXVIII of the Land Regulations provides :

“Hereafter should any corrections be requisite in these Regulations, or should it be necessary to determine on further rules, or should doubts arise as to the construction of, or powers conferred thereby, *the same must be consulted upon and settled by the Foreign Consuls and Local Chinese Authorities*, subject to the confirmation by the Foreign Representatives and Supreme Chinese Government at Peking.”

In view of what is hereinbefore stated, the new American and British Treaties may be interpreted as follows :

First, the American and British Governments have relinquished their rights in the Settlement; second, the agreement of all the treaty powers is a condition precedent to the complete rendition of the Settlement; third, when China takes over the control of the Settlement, she must assume and discharge its liabilities; and fourth, China is estopped to deny the validity of the acts of all regimes, *de jure* or *de facto*, which governed the Settlement.

It appears, therefore, that the effect of China taking over the administration and control of the Settlement is to make her liable to discharge all the obligations of the Settlement.

The American Government is entitled to discuss matters of this nature with China according to the new American Treaty which provides as follows :

“It is mutually understood that questions which are not covered by the present treaty and exchange of notes and which may affect the sovereignty of the Republic of China shall be discussed by representatives of the two Governments and shall be decided in accordance with *generally accepted principles of international law and with modern international practice.*”

A note to the new *British Treaty* contains a similar provision. This leads us to a discussion of the suggested remedy.

AMERICA, BRITAIN, CHINA AND OTHER INTERESTED POWERS SHOULD APPOINT A COMMISSION SIMILAR TO THE FORMER COURT OF FOREIGN CONSULS TO PASS UPON CLAIMS OF CREDITORS AND MAKE NECESSARY AGREEMENTS

We have already demonstrated that the Land Regulations as the fundamental law of the Settlement should be considered in construing the New American and British Treaties. Article XXVII of the Land Regulations provides :

“And be it further ordered that the executive Committee or Council may sue and be sued in the name of their Secretary for the time being or in their corporate capacity or character as ‘Council for the Foreign Community of Shanghai’, and such Committee, Council or Secretary shall have all the rights and privileges which private complainants

have, to recover and enforce judgments obtained by them and shall also incur the obligations which private defendants have in proceedings at law or suits in equity commenced against them, provided that the individual members of the Council or their Secretary shall not be personally responsible, but only the property of the Council, and all proceedings against the said Council or their Secretary shall be commenced and prosecuted before a '*Court of Foreign Consuls*', which shall be established at the beginning of each year by the *whole body of Treaty Consuls*".

The purpose of Land Regulations XXVII was to give a legal remedy to persons having claims against the Council by providing a fair and impartial Court wherein redress might be obtained. This Court operated for many years and adjudicated numerous cases, sometimes in favor of the Council and frequently against the Council. It had a code of procedure and a Secretary and conducted litigious disputes in a manner similar to Anglo-Saxon Courts.

Prior to December 8, 1941 the words "the whole body of Foreign Consuls" were construed to mean those Consuls whose Governments had treaties with China providing for extraterritoriality. These Consuls were the Consuls for the United States, Britain, Japan, Denmark, the Netherlands, Belgium, Sweden, Norway, France, Italy, Switzerland, Brazil and Spain who elected the Court of Foreign Consuls every year. Shortly before World War II commenced, there was some difference of opinion as to whether or not the Treaty between China and Spain providing for extraterritoriality had been abolished. The Court of Foreign Consuls generally consisted of three members, who were usually the Consul Generals for America, Britain and Japan, although the Consul Generals of the other governments did occasionally serve on the Court. The nations which did not have treaties with China providing for extraterritoriality, and whose Consul Generals, with some exceptions, did not vote for members of the Court of Foreign Consuls were Russia, Germany, Finland, Cuba, Greece, Chile, Mexico, Poland, Venezuela and Guatemala. The Consul General for Germany at one time insisted that he was entitled to vote for the Judges of the Court of Foreign Consuls, and it is believed that on one or two occasions he did so vote.

The new American and British Treaties, in abolishing American and British extraterritorial rights in China, have also abolished the Shanghai Consular Body as it existed before World War II. It is possible, however, for America and Britain to negotiate with China for the appointment of a Commission with powers similar to the former Court of Foreign Consuls. The appointment of a Board of Judicial Inquiry in 1925, as hereinbefore related, to investigate the incident which took place in the Settlement on May 30, 1925, is a precedent for the appointment of such a Commission. It would be advisable to

obtain the approval of the interested Powers other than America, China and Britain. Since Germany and Japan were defeated in World War II, it would appear that it would not be necessary to consult them.

The powers of this Commission should be set forth in a carefully drawn terms of reference. The powers of the Commission might include:—(1) the same prerogatives formerly exercised by the Court of Foreign Consuls; (2) the authority to make and enforce its own rules of procedure; (3) the authority to give final judgments against the Chinese Government which should be enforced if necessary by levying upon and selling the assets of the Settlement in the same manner as a Court levies a writ of execution upon the assets of a judgment debtor; (4) the right to employ the necessary personnel to enable it to perform its functions; (5) the right to issue subpoenas and to require the production of papers and documents from any person or government; (6) the right to punish for contempt; (7) the power to negotiate and make the necessary agreements providing for the rendition of the Settlement as provided in Articles III of the New American Treaty and IV, sections 1 and 2 of the New British Treaty; and (8) the right to perform all other acts which they may deem necessary to carry out the new Treaties. All interested parties and governments should have the right to appear before the Commission, either in person or by Counsel, and to present their claims. The question of financing the Commission should be given careful consideration. Each Government might pay its own appointees and its share of the expenses, which upon the termination of all proceedings might be repaid by the Chinese Government.

#### CONCLUSION

In conclusion it appears that: First, the American Government has a substantial interest, both political and financial, in the Settlement, which it has sponsored and protected by diplomatic representations, and even armed force, almost from its inception; second, these American interests fully justified the Government in making in conjunction with Britain, diplomatic representations to China concerning the liabilities of the Settlement which she has not only assumed but is liable to discharge; and America and Britain may desire to persuade China and the other Powers concerned to agree to the appointment of a Judicial Commission similar to the former Court of Foreign Consuls.

Dated November 30, 1945.

PROTECTION OF AMERICAN LIVES AND PROPERTY IN  
CHINA; REPATRIATION OF AMERICAN CITIZENS IN-  
TERNED IN CHINA DURING THE WAR AND RESTORA-  
TION OF AMERICAN PROPERTY IN LIBERATED CHINA

793.003/3-645

*The Secretary of State to the Chargé in China (Atcheson)*

No. 88

WASHINGTON, March 21, 1945.

SIR: Reference is made to the Embassy's despatch no. 3079 of October 19, 1944<sup>1</sup> entitled "Implementation of Chinese Government Obligations to American Interests in Diplomatic Quarter and International Settlements" in which the Embassy suggested that it would be advisable for American telephone and other interests concerned to follow the example of the Shanghai Power Company and make up dossiers setting forth their contractual arrangements with the International Settlement at Shanghai and other similar authorities for transmission through the Embassy to the Chinese Foreign Office.

There are enclosed two copies of a monograph<sup>2</sup> concerning the history, rights and obligations of the Shanghai Telephone Company Federal, Inc., the China Electric Company, Limited, and the Commercial Pacific Cable Company, which has been prepared by the International Telephone and Telegraph Corporation. There is also enclosed a copy of a letter<sup>3</sup> addressed to Mr. Vincent<sup>3</sup> by Colonel Behn of the International Telephone and Telegraph Corporation transmitting the copies of the monograph to the Department.

It is suggested that the Embassy transmit one copy of the monograph to the Chinese Government for its information. It is also suggested that in doing so the Embassy make reference to former Ambassador Gauss'<sup>4</sup> conversation with Dr. T. V. Soong<sup>5</sup> on October 18, 1944<sup>6</sup> in regard to the recognition and protection of legitimate American interests as provided by Articles II and III of the Treaty for the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters signed on January 11, 1943,<sup>7</sup> and that

<sup>1</sup> Not printed.

<sup>2</sup> Enclosures not printed.

<sup>3</sup> John Carter Vincent, Chief of the Division of Chinese Affairs.

<sup>4</sup> Clarence E. Gauss, who resigned in November 1944.

<sup>5</sup> Chinese Minister for Foreign Affairs.

<sup>6</sup> See *Foreign Relations*, 1944 vol. vi, p. 1157.

<sup>7</sup> Department of State Treaty Series No. 984, or 57 Stat. 767.

the Embassy state that those documents are being placed on record with the Ministry for the purpose of assisting the Chinese Government in making appropriate arrangements to implement the provisions of the Articles mentioned.

Very truly yours,

For the Secretary of State:  
 JOSEPH W. BALLANTINE  
*Director, Office of  
 Far Eastern Affairs*

793.003/4-545

*Memorandum of Conversation, by the Deputy Director of the Office  
 of Far Eastern Affairs (Stanton)*

[WASHINGTON,] April 5, 1945.

Participants: Sir George Sansom<sup>8</sup>  
 Mr. Ballantine  
 Mr. Stanton

Sir George Sansom called at his request and during the course of conversation handed to Mr. Ballantine the attached paper<sup>9</sup> concerning various problems which will arise in connection with the relinquishment of extraterritorial rights and the undertaking by the Chinese Government to assume liabilities and responsibilities of the municipal councils at Shanghai and Kulangsu, Amoy. The problems specifically mentioned by Sir George were the foreign-owned public utilities operating in those cities under franchise or by agreement with the municipal councils mentioned and the public trusts formed by the municipal councils to provide security for holders of municipal debentures and employees entitled to pensions from the councils.

Sir George indicated that the British Foreign Office had originally favored the establishment of an Anglo-Chinese commission to consider and resolve these problems in so far as they affected British interests but that he understood the Foreign Office was now prepared to proceed through the usual diplomatic channels or to utilize any effective medium. He inquired whether these problems were under consideration in the Department and was informed that we had given the matter some thought and felt that it would be desirable for us to formulate our views in regard to these problems in the near future. Sir George was also informed that we had instructed our Embassy at Chungking to make informal oral inquiry of the Chinese Minister of Foreign Affairs in regard to measures which the Chinese Government contemplated taking with a view to implementing the obligations

<sup>8</sup> British Minister in the United States.

<sup>9</sup> Not printed.

assumed by the Chinese Government under Articles II and III of the Treaty for the Relinquishment of Extraterritorial Rights and that Dr. Soong's reaction had been that while the Chinese Government is of course prepared to carry out its obligations he felt this matter would have to wait until the reoccupation of Shanghai and other areas.

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793.003/5-1645

*The Chinese Acting Minister for Foreign Affairs (Wu) to the American Ambassador in China (Hurley)*<sup>10</sup>

[Translation]

[CHUNGKING, May 12, 1945.]

EXCELLENCY: With reference to the Ministry's acknowledgment dated August 29, 1944 of receipt of the Embassy's note transmitting a copy of a memorandum submitted by the American and Foreign Power Company, I have the honor to acknowledge receipt of Your Excellency's formal note of May 3, 1945, enclosing a copy of a monograph submitted by the International Telephone and Telegraph Corporation, New York City, concerning the history, rights and obligations of the Shanghai Telephone Company, Fed. Inc., U.S.A., the China Electric Company, Ltd., and the Commercial Pacific Cable Company and requesting that the monograph be placed on record with the Ministry.<sup>11</sup> The enclosed copy of the monograph has been received.

The properties aforementioned are at present under control of the enemy. The Chinese Government, after the termination of the war, will of course take appropriate steps in accordance with the provisions of Articles II and III of the Sino-American Treaty of 1943.

I avail myself [etc.] (Stamped) K. C. WU

*Political Vice Minister*

*In Charge of Ministerial Affairs*

(Sealed) MINISTRY OF FOREIGN AFFAIRS

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793.003/7-245

*The Ambassador in China (Hurley) to the Secretary of State*

No. 518

CHUNGKING, July 2, 1945.

[Received July 26.]

SIR: I have the honor to refer to the Treaty between the United States and the Republic of China for the Relinquishment of Extra-

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<sup>10</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 402, May 16; received May 25.

<sup>11</sup> None printed.



territorial Rights in China and the Regulation of Related Matters, Article IV of which pertains to titles to real property in China possessed by nationals or the Government of the United States.

There is now enclosed<sup>12</sup> the Chinese text, with English translation, of an extract from the *Official Gazette* of the Executive Yuan, issue of May 31, 1945, purporting to be Instruction No. 7634 issued by the Executive Yuan on April 10, 1945, headed: "Note to be Taken by Hsien and Municipal Governments with respect to Rights to Real Property Held by Foreign Nationals in China". Copies of this despatch and of its enclosures are being forwarded to the Consulate General at Kunming, the Consulate at Tihwa, the Secretaries on detail at Lanchow and Sian and the Attaché on detail at Chengtu.

Respectfully yours,

For the Ambassador:  
ROBERT L. SMYTH  
*Counselor of Embassy*

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300.1115/8-1545 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 15, 1945—1 p. m.

1260. Dept. informed by Navy Dept that Naval forces operating in southern China report recovery of American CIs<sup>13</sup> and/or POWs<sup>14</sup> recently abandoned by Jap occupation forces. Obtain from Am mil auth names of Am CIs now or later liberated and telegraph names to Dept.

In view current developments alert Consuls to necessity of obtaining and transmitting info about liberated Am nationals. Invite Consuls' attention to Foreign Service Serial No. 353, April 17, 1945,<sup>15</sup> providing for emergency financial assistance loans to destitute Am nationals.

BYRNES

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393.115/9-1445 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 14, 1945—3 p. m.

1456. According recent press reports from Shanghai Jap armed forces at Shanghai continue in possession of buildings hitherto oc-

<sup>12</sup> Not printed.

<sup>13</sup> Civilian Internees.

<sup>14</sup> Prisoners of War.

<sup>15</sup> Circular Instruction to American Diplomatic and Consular Officers, "Emergency Financial Assistance Loans to Destitute American Nationals in Foreign Countries for Subsistence and Repatriation".

cupied by them including American-owned properties and are utilizing opportunity prior to their disarmament to loot, pillage and destroy various movable properties, records, etc. Various American organizations and individuals with interests at Shanghai have expressed concern over these reported depredations.

Dept. shares this concern and accordingly desires that you explore this matter with General Wedemeyer<sup>16</sup> with view to devising means to accord earliest and fullest possible protection to American-owned properties at Shanghai and elsewhere in liberated China.

Dept. also desires that you discuss this matter with appropriate Chinese authorities, requesting their assistance in protection of American-owned properties in liberated areas and in early restoration of such properties to their American owners.

ACHESON

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123 [Edwards, J. Dixon] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 16, 1945—11 a. m.

[Received September 16—10:40 a. m.]

1601. We have received urgent request from United States Army unit Hankow for Consular officer to care for American property and interests there. Swiss Consul [at] Tientsin urgently recommends American Consular officer be sent to that city immediately.

American interests may suffer if officers are not quickly sent to Hankow, Tientsin, Canton and other places. American citizens will have just cause for complaint if Department fails to provide personnel to look after American interests at this time.

We are willing, if Department desires, to send Edwards<sup>17</sup> to Hankow. We can spare no other officers under our present staff conditions. We are critically shorthanded. Ringwalt<sup>18</sup> and Freeman<sup>19</sup> have never been replaced. Millet<sup>20</sup> and Hinke<sup>21</sup> have left to assist Army with internees. Briggs<sup>22</sup> has departed. Paxton<sup>23</sup> leaves shortly for Nanking to investigate conditions and housing for Embassy staff.

With increasingly heavy pressure of business, it is possible to handle only the most urgent current matters. In spite of long hours, much

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<sup>16</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, United States Forces in China Theater, and Chief of Staff, China Theater.

<sup>17</sup> Jay Dixon Edwards, Second Secretary of Embassy.

<sup>18</sup> Arthur R. Ringwalt, Second Secretary.

<sup>19</sup> Fulton Freeman, Second Secretary.

<sup>20</sup> Charles Sumner Millet, Second Secretary.

<sup>21</sup> Frederick W. Hinke, Second Secretary.

<sup>22</sup> Ellis O. Briggs, Counselor of Embassy recalled to the Department.

<sup>23</sup> John Hall Paxton, Second Secretary.

important work in economic and political sections must be left undone. It is once again urgently requested that Embassy be given sufficient officers to do the work which should be done.

HURLEY

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390.1115/9-1945 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 19, 1945—11 a. m.

1494. Department is without specific information as to General Wedemeyer's plans for evacuation of liberated American civilian internees from China theater. Department has been proceeding on assumption that a coordinated plan was being worked out between headquarters General MacArthur<sup>24</sup> and General Wedemeyer whereby liberated American and United Nation nationals from Japan and Asiatic mainland would be evacuated to central processing point, presumably Manila, as military necessity, from which point shipping space would be available for repatriation to United States. Department has received report from Johnson<sup>25</sup> FSO at Yokohama that American internees are being evacuated by air together with POW's to Manila so evidently the Japan evacuation is proceeding as anticipated. Department has also seen fragmentary Army G-5 reports indicating that a few American civilian internees from China points have been moved to Manila via Okinawa and that other groups are being moved to Shanghai. As you know a few American internees have been flown to Kunming.

Please report urgently full details proposed evacuation plan particularly from Shanghai where greater number of liberated American internees are concentrated.

ACHESON

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123 [Edwards, J. Dixon] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 20, 1945—8 a. m.

[Received 12:25 p. m.]

1628. In accordance with Department's request, we are sending Edwards to Hankow. We would appreciate confirmation our assumption that upon arrival Shanghai (re Department's telegram 148

<sup>24</sup> General of the Army Douglas MacArthur, Supreme Commander for the Allied Powers in Japan.

<sup>25</sup> U. Alexis Johnson, Consul, Yokohama Branch, Office of United States Political Adviser to Supreme Commander for the Allied Powers.

[1481], September 18<sup>26</sup>) Calder,<sup>27</sup> Stephen Brown<sup>28</sup> and Chase,<sup>29</sup> all of whom have been assigned to Embassy, will proceed immediately to Chungking. We have on numerous occasions during past few months, most recently in our 1601, September 16 and 1617, September 19,<sup>30</sup> reported on serious staff shortage in Embassy. We have been promised additional officers as well as replacements for those going home, but due to failure of Department to replace departures or to send promised additional officers, our staff situation is acutely critical. Again we urge that Department provide sufficient staff to meet pressing and important problems.

Swiss Consul Jorge from Tientsin, who was flown here by Army to discuss with various Embassies problems of American and other nationals he represents, called at Embassy today. He urged that American consular officer be sent without delay to Tientsin where his presence would be of greatest value in protection of American property and interests. We regretfully told him we had no officer available but said several officers expected arrive Shanghai from U.S. about September 30 and one of these would no doubt go to Tientsin. Lacking an officer, we are sending Frank Li Fu Liu, Chinese interpreter for many years at Tientsin, to that city to do what he can for American interests.

HURLEY

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740.00119 PW/9-2145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 21, 1945—8 a. m.

[Received 8:35 p. m.]

1636. The day following dispatch of Embassy's telegram 1606, September 17, 5 p. m.,<sup>31</sup> we received by courier from Josselyn letter stating that while Shanghai Power Company (American), Shanghai Water Works (British) and Gas Company (British) were being restored to former owners, the Director of Public Utilities, Shanghai Municipal Government, had notified him that on order of the Ministry of Communications the Shanghai Telephone Company would be taken over for nationalization and integrated with the National System of Telecommunications. I immediately made vigorous protest to the Generalissimo<sup>32</sup> in personal conference. He agreed to

<sup>26</sup> Not printed.

<sup>27</sup> Alonzo B. Calder, Commercial Attaché in China.

<sup>28</sup> Second Secretary.

<sup>29</sup> Augustus S. Chase, Consul at Shanghai.

<sup>30</sup> Latter not printed.

<sup>31</sup> Not printed, but see despatch No. 907, November 30, p. 1412.

<sup>32</sup> President Chiang Kai-shek.

our position without equivocation, stating that such action was at variance with the policy of the Chinese Government. He reiterated that the policy of his Government was to facilitate not hinder the return of properties to lawful owners. He further stated that if properties were to be taken over for nationalization in accordance with established policy that such action, of course, would be taken only after negotiation and in due process of law. Accordingly, the Generalissimo immediately gave orders to the Minister of Communications directing prompt restoration of the company to its authorized representatives. We are now in receipt of a telegram from Josselyn advising that transfer has been effected.

The Foreign Office explains that the difference in treatment between the other utilities and the telephone company was due to a misunderstanding on the part of an official in the Ministry of Communications. All telephone systems in China with the exception of the Shanghai Company are owned by the Government. The Shanghai Company was granted a franchise to operate in the International Settlement by the Shanghai Foreign Community and French Municipal Council. Extraterritoriality having been abolished and all other telephone companies being owned by the Government, the Ministry of Communications official assumed that the Shanghai Company would also be nationalized immediately and accordingly gave orders to the Director of Public Utilities to take it over for this purpose. Of course the Generalissimo's order clarifies the situation in so far as the present is concerned but it seems reasonable to expect that sooner or later negotiations will be initiated to include this company in the national system of telecommunications.

HURLEY

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893.6463/9-2645 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, September 26, 1945.

1559. Departure following personnel Shanghai Power Company whose presence Shanghai urgently desired by Army authorities being delayed pending receipt of authority from Chinese FonOff to issue visas: Charles J. Ferguson, John K. Rummel, Kenneth R. MacKinnon and Carl R. Weidinger, all Americans, and Francis M. Young and Stephen E. Clark, both British.

Please bring this matter to attention of FonOff, pointing out urgent need of services these personnel in restoration power and light facilities Shanghai and requesting issuance visas be expedited.

ACHESON

740.00119 PW/9-2645 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, September 26, 1945.

[Received September 27—11 : 30 a. m.]

18. [To Embassy:] Your September 17, 1 p. m. transmitting Department's 1456<sup>33</sup> received September 25th.

Japanese military have been disarmed and military and civilians removed to Hongkew district. Therefore, looting, et cetera, by armed Japanese no longer problem. Shanghai city government establishing office for return of real property which is not yet functioning. Meanwhile, although some Americans have secured return their properties, many properties remain nominally in Japanese hands and are unprotected. For example, factory of Henningson Produce Company in outlying district had been for 2 days besieged by former Chinese employees making exorbitant demands although they received 4 months' bonus when dismissed August 30th. Have asked garrison commander and mayor for protection but thus far without avail; labor difficulties (including Japanese failure to pay workers as promised) hamper reoccupation of light bulb factory owned by China General Edison Company. Ault and Wiborg, another American concern, have no authorized representative Shanghai. Their office and factory stated to have been practically denuded of all stock and equipment. Greatest need at present for these properties and many others is that Chinese authorities be made to realize their responsibilities regarding protection.

Hopkins<sup>34</sup> still negotiating with public utilities commissioner regarding details return Shanghai Power Company but Hopkins hopeful satisfactory conclusion. Detailed report of situation follows. Sent to Chungking; repeated to Department.

JOSELYN

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390.1115/9-2645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 26, 1945.

[Received September 26—1 : 39 p. m.]

1663. Army headquarters here states that China Theater, in coordination with the Commanding General, U.S. Forces, Pacific,<sup>35</sup> is arranging for the evacuation by sea of U. S. nationals who desire repatriation; although final details have not been completed, plans call

<sup>33</sup> September 14, 3 p. m.

<sup>34</sup> Paul S. Hopkins, President of the Shanghai Power Company.

<sup>35</sup> General Douglas MacArthur.

for evacuation through Tsingtao, Tangku and Shanghai, internees from other camps will be moved to the ports by the most feasible methods of transportation, the Shanghai base command will be prepared to receive internees for shipment after October 5 (ReDeptel 1494, September 18[19]).

Army here states evacuation program is under direction Colonel William Mayer, SOS (Services of Supply), who recently moved from Kunming to Shanghai. Embassy is requesting Consul General Josselyn, Shanghai, to contact Colonel Mayer and report further information to Department and Manila.

ROBERTSON

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123 [Edwards, J. Dixon] : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, September 26, 1945—1 p. m.

[Received 1:37 p. m.]

1665. Edwards departed this morning for Hankow (Embassy's 1628, September 20).

Army has requested Consular officers be sent urgently to Canton and Hong Kong. We replied no more men could be spared by Embassy but that officers sent by Department to staff China Consulates are shortly expected arrive Shanghai.

ROBERTSON

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138—China/1240a : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, September 26, 1945—8 p. m.

1558. Dept is informed American civilians including various representatives of business and missionary interests desiring to return to China at early date are experiencing delay because of existing Chinese visa procedure involving reference of each application to FonOff for approval before visa may be issued.

Dept desires that Embassy discuss this matter informally with FonOff. Point out that a substantial number of American civilians now desire to return to China at early date to resume normal activities, that they find the present Chinese visa procedure cumbersome and involving delay, and that Dept has already abolished similar restrictions (Dept's circular airgram July 24<sup>36</sup>). Express hope FonOff will see fit at early date to relax existing visa procedure to permit issuance of visas to American civilians without prior reference to Chungking.

<sup>36</sup> Not printed.

For Emb's confidential information Dept understands Chinese Emb here has already made such a recommendation to FonOff but has had no reply.

ACHESON

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390.1115/10-145 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, October 1, 1945.

[Received October 3—12:20 a. m.]

32. Reference Department's circular instruction April 17, 1945,<sup>37</sup> regarding emergency loans to destitute Americans. Second and last repatriation ship expected depart within about 2 weeks. Anticipate that a number of reputable Americans who have left camps in attempts rehabilitate businesses will refuse repatriation to United States, in which case instructions at hand indicate assistance loans cease. Imperative for rehabilitation American interests that numbers of these Americans although now temporarily financially embarrassed due to lack of communications and banking facilities should remain in Shanghai. Request Department authorize me continue loans at my discretion beyond departure date last repatriation ship.<sup>38</sup> It appears British policy is to keep British key business personnel here for reestablishment British interests.

Sent to Department, repeated to Chungking.

JOSSLYN

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893.111/10-645 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 6, 1945—7 p. m.

[Received October 6—2:25 p. m.]

1748. Upon receipt Dept's 1558, Sept. 26, we took matter up with Foreign Office. We have now been informed by Foreign Office that instructions are being telegraphed to Chinese Embassy, Washington, to effect that in cases of American civilians with legitimate business in China visas may be issued by appropriate Chinese officials in U. S. without prior reference to Foreign Office for approval.<sup>39</sup>

ROBERTSON

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<sup>37</sup> Foreign Service Serial No. 353, Circular Instruction to American Diplomatic and Consular Officers, "Emergency Financial Assistance Loans to Destitute American Nationals in Foreign Countries for Subsistence and Repatriation", not printed.

<sup>38</sup> On October 12 the Secretary of State authorized the Consul General to continue loans temporarily (390.1115/10-145).

<sup>39</sup> On October 9 an officer of the Chinese Embassy informed the Department that this instruction had been received and also that authorization had been received to issue visas to employees of the Shanghai Power Company who had previously made applications (893.111/10-645).



811.7393C73/10-1245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 12, 1945—8 a. m.

[Received October 13—1:30 a. m.]

1778. The Embassy is today <sup>40</sup> in receipt of note from Ministry of Foreign Affairs <sup>41</sup> transmitting views of Ministry of Communications with respect to proposals of International Telephone and Telegraph Company outlined in undated memorandum for the Department of State and transmitted by Embassy to Ministry of Foreign Affairs on May 23, 1945.<sup>42</sup> (Reference Department's instruction 894, November 10, 1944.<sup>43</sup>) Translation and checking of this note have not yet been completed, but a summary thereof will be telegraphed as promptly as possible.

Regarding Commercial Pacific Cable Company, the following information has been confirmed by Assistant Commercial Attaché with Director, Department of Posts and Telecommunications, Ministry of Communications. (Reference Department's airmail instruction 212, July 26, 1945 and Deptel 1581, October 1, 11 a. m.<sup>44</sup>) The Chinese Government proposes that its international telecommunications shall be principally via radio since wartime experience shows that radio communications are able to meet its needs. Need for resumption of submarine cable service is accordingly not regarded as very pressing. The policy of the Chinese Government is to place its international telecommunications under national operation. With respect to submarine cables, Chinese policy is stated to be that "if both ends of a submarine cable are in Chinese territory the Chinese Government proposes to operate the cable itself; and if one end is in another country the Chinese Government proposes to maintain at least the ownership of a certain length of submarine cable from the point of landing in Chinese territory out into the sea".

The Ministry of Communications further states that the landing license of the Commercial Pacific Cable Company for its Shanghai-Manila cable expired on December 31, 1944 and that the Ministry of Communications has already informed the company that this landing license will not be renewed. If the company has any proposals for collaboration and operation of the cable in question which will take

<sup>40</sup> i. e., October 11.

<sup>41</sup> Dated October 8.

<sup>42</sup> Not printed; copy transmitted to the Department by the Chargé in China in his despatch No. 808, October 19 (893.75/10-1945).

<sup>43</sup> Not printed; it requested the Ambassador in China to take up the matter with the appropriate Chinese authorities with a view to the protection of these American interests (893.75/10-2144).

<sup>44</sup> Neither printed.

into account the above requirement for national control in the territory of China, the Ministry of Communications is prepared to give full consideration to them.

In discussion with Mr. Tao Feng-shan, now Director of Posts and Telecommunications, the Assistant Commercial Attaché was not able to develop practical details as to the type of collaboration envisaged by the Ministry and it is doubted if such practical details have been worked out. To an inquiry concerning precedence for this ownership of a part of the cable, officials of the Ministry of Communications were unable to cite any specific instances. The Assistant Commercial Attaché pointed out that cables owned by American companies land on the shores of Canada, Great Britain, France and many of the Central and South American countries and that it is difficult to visualize a practical means for operating a cable under the plan proposed by the Chinese. It is understood that the same proposal is being made to the Great Eastern (British) and the Great Northern (Danish) cable companies, but that no agreements with these companies have been reached.

Embassy believes that negotiations with Ministry of Communications regarding Mackay Radio, Shanghai Telephone Co., China Electric Co., and Commercial Pacific Telephone Co. can only be expedited by presence in China of authorized representatives of these companies or of International Telephone and Telegraph Co. Is Embassy's information correct that James E. Fullam, Vice President of latter company, is shortly coming to China?

ROBERTSON

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893.75/10-1945: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 19, 1945—8 a. m.

[Received October 20—12: 15 a.m.]

1826. On October 11 Embassy received note from Ministry of Foreign Affairs replying to Embassy's note of May 23, 1945<sup>45</sup> and conveying Ministry's comments on *aide-mémoire* submitted by International Telephone and Telegraph Corporation to Department of State on "post-war telecommunications in and with China".

In response to expressed hope that Shanghai Telephone, Mackay Radio, Commercial Pacific Cable and China Electric Companies be allowed to continue pre-war activities, Chinese Government states that in view of changed conditions "a justifiable adjustment of pre-war activities must be made". Ministry points out that China's

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<sup>45</sup> Latter not printed; copy transmitted to the Department by the Chargé in China in his depatch No. 808, October 19 (893.75/10-1945).

policies must be uniform with respect to American and other foreign companies but states it will negotiate with complete sincerity and will seek concrete and mutually advantageous measures for collaboration.

**Shanghai Telephone Company:** Ministry outlines developments under Japanese occupation in merging Shanghai Telephone Administration of the Ministry of Communications and Shanghai Telephone Company into the General Shanghai Telephone Administration. On September 19, the note states, after the retrocession of these properties from Japanese hands "those telephones of the General Shanghai Telephone Administration located in the former foreign settlements were handed over to the original manager, Mr. Porter, of the Shanghai Telephone Company for temporary operation". Because the assets, equipment, personnel and accounts of the above telephone companies were mixed together during the war period, the situation in separating them is stated to be extremely complicated. It appears to the Chinese Government that a comprehensive plan for adjustment of the telephone business in Shanghai should be drawn up for which discussions will be held between the Ministry of Communications and the company.

**Mackay Radio Company:** Through message traffic with China hitherto maintained by this company is regarded generally as satisfactory. The original traffic agreement expired June 26, 1945 and is not binding since that date. A year ago Ministry of Communications notified the company that it proposed readjustment of method of apportioning message charges. Subsequently company has been instructed to maintain traffic for time being while negotiations on the apportionment of charges are carried on. If these negotiations [are] successfully concluded, there is no question that Mackay Radio "will continue to maintain traffic with international radio stations located in various places in China". As regards the Manila to Chengtu route its restoration may be negotiated at any time.

**Commercial Pacific Cable Company:** Substance of the section of the Ministry's note regarding this company was sent in Embtel 1778, October 12, 8 a. m.

**Shanghai Electric Company:** The China Electric Company's original contract having already expired is now canceled. The Ministry of Communications is prepared to conduct separate negotiations with the company regarding the form of joint operation to be adopted and to conclude a new contract setting up a new organization in accordance with Chinese law.

Text of Ministry's note is being forwarded immediately by air mail.<sup>46</sup> Please inform Department of Commerce and International Telephone and Telegraph Company.

ROBERTSON

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<sup>46</sup> Note dated October 8, not printed.

393.115/10-2745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 27, 1945.  
 [Received October 27—12: 32 p. m.]

1874. Following from Edwards [at] Hankow repeated for Department's information:

"7. October 24, 3 p. m. Action AmEmbassy, Chungking and Am-Consul, Shanghai. The problem of protecting American property in the Hankow area, consisting mostly of schools, hospitals and other mission installations, is rendered more difficult by Chinese military occupation. Under such occupation undesirable changes, not only destruction of property, cannot easily be prevented. Upcountry mission property with no sort of protection at all, moreover, are being reportedly stripped by local populace. The only satisfactory solution to protect occupation and loss is to allow American owners to return to their properties at the earliest possible opportunity. The representative of the British Embassy, Lieutenant Colonel Annand, arrived here on the 22nd, and he is making similar recommendations to his Embassy."

Embassy is facilitating in every appropriate way return of American nationals to their properties in China.

ROBERTSON

393.115/11-445 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 4, 1945—[?] p. m.  
 [Received November 6—9: 38 a. m.]

14. [To Embassy:] Proclamation of Tientsin municipal government dated October 27 announces that property of Andersen, Meyer and Company, Limited, has been taken over by the "Commission of Rehabilitation for Party and Politics" and that all merchandise and/or material stored in this firm belong to the National Government. These premises formerly housed the Japanese firm "The China Milk Company", a Kanebo subsidiary, where cold storage and milk pasteurization plant was installed.

Similarly, A. and M. Karagheusian American Corporation for overseas, likewise an American [firm?] has been unable to take over its premises due to taking over of their plant by Brigadier General Chiang Shi-yi, heading "Commission to Take Over Japanese Industrial Plants in North China". While General Chiang Shi-yi prepared to relinquish occupation of the buildings, he intends to keep as "war booty" whatever machinery and raw materials [are] now stored there which is

regarded as property of Man Mon Mills, a Japanese-sponsored organization. Apparently Chinese propose to operate the Karagheusian plant themselves as they have already resumed work at two other plants previously operated by Man Mon.

At Frazar Fed. Inc. USA, approximately 35 motor vehicles of Toyoda make have been left unassembled by the Japanese together with spare parts, which Chinese Government will claim as "war booty".

Standard Oil installation in ex-Russian Concession contains motor vehicle assembly plant with spare parts, tires and other valuable equipment. This property is now under Marine protection despite which looting [is] considerable.

Wulfsohn, American owner [of] department store, completely cleaned out by Japanese, but in newer premises leased by Wulfsohn, Chinese claim as "war booty" stocks of mineral oils and other salable goods. Majestic Theater owned by T. Koulaieff's Sons, American registered firm, contains carbon filaments useful to and needed by firm, left by Japanese and now claimed by Chinese. Personal comments follow.

Sent to Chungking; repeated to the Department.

[MEYER]

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393.115/11-445 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 4, 1945—4 a. m. [p. m.]

[Received November 6—12:05 a. m.]

15. [To Embassy:] My No. 14, November 4th, this Consulate General does not question the legality of the principle apparently adopted that stocks and equipment formerly owned by Japanese are Chinese war booty, but when those stocks and equipment are located in American-owned establishments, the application of that principle works a decided injustice on the American firms. In many cases stocks and equipment are identical or similar to those in the premises when the Japanese took over the American firms at the outbreak of war and would be useful to those firms in getting their establishments running again at an early date and as offset against their claims against the Japanese. In other cases dissimilar stocks and equipment could be [eventually] used [as] offset against claims as amount of stocks and equipment involved is infinitesimal compared with the tremendous quantities of other Chinese war booty. If you concur, please take the matter up with highest possible authorities in Chungking [both military] and justice. Mayor of Tientsin has agreed to approach

Chungking and to withhold action pending receipt of new instructions, but he has no control over local organizations controlled by Chinese military.

Would appreciate early reply. Sent to Chungking; repeated to Department.

[MEYER]

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393.115/11-945 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 9, 1945—9 p. m.

[Received November 9—4:45 p. m.]

1950. [For the Consul at Tientsin:] Immediately upon receipt, Chargé d'Affaires discussed question with Foreign Minister Wang Shih-chieh. (Re your Nos. 14 and 15, November 4.) Wang readily agreed that in cases where stocks and equipment in premises of American firms are identical or similar to those in premises when Japanese took possession, such stocks and equipment should be considered just as much property of firms as the premises and should be turned over accordingly. This principle should apply to consumable goods as well as to fixed assets such as machinery and equipment. In instances where premises are used for storage of goods having no connection such as automobiles in department store, Chinese do not agree that American firms have legitimate claims.

It was not clear from your No. 14 whether machinery and raw materials stored in property of A. and M. Karagheusian taken over by General Chiang Shi-yi represented original or similar equipment and materials or whether plant was simply being used as storehouse. We were also unable to determine relationship of 35 motor vehicles and spare parts to ordinary business of Frazar Fed., Inc. Wulfsohn and Majestic Theatre would appear to fall into category about which there is no question.

Chinese Foreign Minister is communicating directly with Yorkson Shen, Adviser to Ministry of Foreign Affairs in Tientsin, directing that this principle be followed and that *status quo* be maintained in doubtful cases pending decision as to rights involved. Presumably Shen is in position to give proper instruction to appropriate Chinese authorities. (Sent to Tientsin, repeated to Department.) Embassy suggests that you communicate with Shen immediately and advise result of conversations.

ROBERTSON

393.115/11-1245

*The Consul at Tientsin (Meyer) to the Secretary of State*

No. 2

TIENTSIN, November 12, 1945.

[Received November 28.]

SIR: I have the honor to refer to my telegrams No. 14 of November 4, and No. 15 of November 4, 4 p. m. concerning the war booty question, addressed to the American Embassy at Chungking and repeated to the Department for its information, and to submit herewith as Enclosure No. 1 <sup>47</sup> a translation prepared by the United States Information Service of the text of the "Regulations for the Disposal of Private Japanese Properties", as published on November 7, 1945 in the *Min Kuo Jih Pao*, a Tientsin vernacular newspaper.

In view of the nature of these Regulations, I addressed a letter to General Chiang Shih-yi, Chief of the Commission for Taking Over Japanese Industrial Properties in Tientsin, claiming on behalf of American owners the Japanese property found on their premises, to be used as an offset to their claims against the Japanese Government. Simultaneously, I forwarded a copy of this letter to the Mayor in which I reminded him of our previous conversation, and reiterated my request for assurances that the interests of American firms in Tientsin would be given appropriate consideration along the lines I had discussed with him. Copies of these letters are attached as Enclosure Nos. 2 and 3.<sup>48</sup>

A copy of a letter dated November 8, 1945 from Dr. H. Dawid, the representative of the J. E. Hayes Engineering Company, Fed. Inc., U.S.A., appointed by this office for the re-possession of its property, is attached as Enclosure No. 4 <sup>47</sup> to illustrate the difficult position of American firms due to Chinese insistence upon the operation of Japanese industrial plants found on American premises. This communication furnished the bases for the first paragraph of my Telegram to the Embassy No. 18 of November 9, 12 noon [*2 p.m.*] <sup>47</sup>

In the absence of a solution to the "war booty" question, the Consulate General considers it inadvisable to take up the questions presented in the enclosed letter either with the Mayor or with the Commanding General of the 11th War Zone.

I shall continue to keep the Department and the Embassy in Chungking fully informed of developments relating to this subject.

Respectfully yours,

PAUL W. MEYER

<sup>47</sup> Not printed.<sup>48</sup> Neither printed.

393.115/11-1945 : Airgram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 19, 1945.

[Received December 17—4: 11 p. m.]

A-21. [To Embassy:] Under present directives, Marines in Tientsin unable to require Japanese to return movable goods confiscated from Allied nationals against seizure receipts or other valid evidence of confiscation, except where Allied owner is able to find and identify precise merchandise seized. This has been possible in the case of a few motor vehicles belonging to Allied nationals. However, no systematic procedure to facilitate Allied nationals in recovering property now held, for instance, at Japanese Army Supply Headquarters has been developed. Problem is complicated by the fact that the Japanese Military in many instances destroyed their records deliberately so that disposition of confiscated Allied property is not known to them or anyone else. Consequently, it is only by chance that repossession of movable property is possible in individual cases.

The Consulate General urges a broadening of present instructions to Marine authorities at Tientsin, the more essential now due to Chinese application of war booty theory, Chinese disregard of heavy losses sustained by Allied nationals, and lack of Chinese cooperation in enabling them to recover confiscated movable property.

To illustrate: The Japanese have indicated their willingness to deliver from their military stores 20 Singer sewing machines similar to those confiscated from Peking branch of Singer Company, provided Marine agreement is obtained. The Consulate General believes this should be granted.

The Japanese hold substantial quantities of bristles at their Supply Headquarters which could be used to cover claims of Allied firms for confiscated cargo.

Both Frazar, Federal Inc. and Mr. Joseph Morris, American, have lost fleets of motor vehicles for which Marines might turn over similar vehicles taken from Japanese, the recipients guaranteeing to deliver to any Allied national any vehicle to which the latter can establish ownership and agreeing that the delivery is temporary adjustment pending final settlement and liquidation their claims for war losses.

It will be appreciated if the Embassy will obtain the view of the Commanding General China Theater on this problem as a means of minimizing losses to American nationals and the number of claims which eventually will have to be handled through diplomatic channels.

Even should a procedure such as is proposed here be approved, the Consulate General is taking the precaution of informing local Chinese authorities that they are responsible to American citizens for property



confiscated from them by the Japanese which the Chinese recover in the course of applying their war booty thesis and in repossessing abandoned private or public Japanese property.

MEYER

393.115/11-2045 : Telegram

*The Consul at Tientsin (Meyer) to the Secretary of State*

TIENTSIN, November 20, 1945—5 p. m.  
[Received November 21—10:15 a. m.]

20. [To Embassy:] My 15, November 4, 4 p. m. and 18, November 9, noon. [*2 p.m.*] <sup>50</sup> Major General Tu Chien-shih, Tientsin representative, Commanding General, Eleventh War Area, in memorandum of November 8 has requested assistance Commanding General Third Amphibious Corps in leasing properties of Manare Woolen Goods, Incorporated, and Huitung Shoe factory operated by Japanese since 1941, actually belonging respectively to Karagheusian (an American firm) and to Fairchild and Company (British). These plants are desired for the production winter gear for Chinese troops by General Chiang Shih-yi, President of North China Clothing and Leather Factory, a subsidiary of War Ministry.

While the only proper answer to this request would appear to be reference of the Chinese to the foreign owners for the arrangement of leases on a mutually satisfactory basis, unwillingness by foreign owners to comply with Chinese wishes might entail requisitioning of these properties by the Chinese military, following precedent set by Marines, but without conclusion of monetary arrangements such as the Marines are now preparing to conclude.

This appears to be an indirect method of utilizing raw materials and equipment abandoned by the Japanese on foreign premises as phase of implementing Chinese "war booty" thesis. The interested parties will of course be advised of Chinese intentions for such action as may be appropriate. Both compliance with Chinese wishes and refusal would set dangerous precedents, possibly leading to Chinese requisitioning for military use of other foreign properties.

The only effective solution to this dilemma seems to be vigorous insistence upon claim to all stocks and equipment of Japanese origin found in American properties at the close of hostilities (already affirmed by the Consulate General to General Chiang Shih-yi and reported to the Embassy in telegram No. 18) and recognition of the rights of American property owners to utilization of their own prem-

<sup>50</sup> Latter not printed.

ises for legitimate purposes without undue pressure or interference by the Chinese Government on grounds military necessity. Instead the Chinese might appropriately utilize unused facilities abandoned by the Japanese which are not connected with American or other foreign property interests.

Sent to Embassy, repeated to Department, true reading by air mail Peiping and Shanghai.

MEYER

393.1163/11-2745 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 27, 1945—8 a. m.

[Received 11:10 p. m.]

274. Bishop Ralph A. Ward of the Methodist Mission has just returned from a month's trip in the Yangtze Valley inspecting mission stations at Kiukiang, Anking, Wuhu, Nanking and Chinkiang, also numerous smaller places. He states that his mission properties have suffered greater damage and loss through looting since the Jap surrender because of occupation by Chinese Government troops than they did during Jap occupation. He reports great difficulty in repossessing any of these properties. He also reports that numerous mission properties are now occupied by puppet organizations who have now nominally changed their allegiance and whom the Chinese authorities will not remove. Bishop Ward's report is borne out by statements of representatives of other missions. Ward at present has no suggestions regarding specific measures to remedy this situation. His information may, however, be useful for background since it bears out other evidence that so-called Chinese gratitude toward U. S. is largely lip service.

Sent to Department, repeated to Chungking.

JOSSelyn

893.6463/11-2845

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

No. 22

SHANGHAI, November 28, 1945.

[Received December 17.]

SIR: I have the honor to report recent developments with regard to the American-owned public utility companies in Shanghai, i. e. the Shanghai Power Company, a subsidiary of Electric Bond and Share, and the Shanghai Telephone Company, a subsidiary of the International Telephone and Telegraph.

At the time of the Japanese surrender these two utility companies, together with other utilities in Shanghai, were in a very run-down and critical condition. The Japanese who were still in charge not only had paid little or no attention to repairs and upkeep, but also had permitted the financial condition of the companies to deteriorate owing, it is stated, to their unwillingness to raise rates to compensate for the depreciation of Central Reserve Bank notes. The result was that in September the monthly cost of a business phone using 200 calls was the equivalent of only 32 cents U. S. and the cost of lighting was US\$0.0072 per kilowatt hour. Since that time the Chinese authorities have shown the same disinclination to raise rates, a subject which will be referred to later in this report.

During the early part of September the Shanghai Municipal Government was organized, and the Director of the Bureau of Public Utilities, Mr. T. C. Tsao, appointed officials for taking over the various public utilities. Mr. Paul S. Hopkins, President of the Shanghai Power Company, and a Mr. K. D. Lee were jointly appointed by the Director of the Public Utilities Bureau to take over (from the Japanese) the "Shanghai Power Branch Office of the Central China Water and Power Company" and were to be jointly responsible for its operation. There then ensued considerable negotiation between Mr. Hopkins and the Director of the Bureau of Public Utilities, the former pointing out that he could not share his responsibility for the operation of the Company with the Chinese appointee. The properties of the Shanghai Power Company were formally taken over on September 17 without this point having been settled, but during the course of the next few weeks, the Chinese appointee and his staff gradually withdrew into the background and at the present time Mr. Hopkins reports very little interference with the administration of the company's affairs.

An even more determined effort was made by the Chinese to take over the Shanghai Telephone Company. This was prevented only by the personal intervention of Ambassador Hurley with Generalissimo Chiang Kai-shek. The Ambassador's intervention doubtless also had a direct bearing on the treatment accorded the Shanghai Power Company. The circumstances were briefly that on September 15 the Shanghai Telephone Company was taken over from the Japanese by a Commissioner of the Ministry of Communications. The action of the Ministry was taken under an order from General Ho Ying-chin, Commander-in-Chief of the Chinese Army, to take over all tele-communications systems in China. Notices to this effect were posted on all the properties of the company, and it looked as if the Chinese Government had adopted the policy of nationalizing all tele-communications. I immediately protested to the Director of the

Bureau of Public Utilities, but it was obvious that the matter would have to be dealt with in Chungking. It was arranged for an officer of the G-5 Section of the Shanghai Base Command familiar with the circumstances to proceed at once by air to Chungking taking with him my letter to the Embassy explaining the situation as fully as possible. The prompt action taken by the Embassy, first with the Ministry of Foreign Affairs followed by the Ambassador's direct representations to the Generalissimo, are doubtless already known to the Department. As a result the Generalissimo issued immediate orders for the release of the property to the Company. This was accomplished on September 19 under somewhat the same conditions as related above in connection with the Shanghai Power Company.

The most acute problem which confronted the management of the public utility companies immediately after their taking over was the question of meeting the not unreasonable demands of labor for justifiable increases in wages while at the same time their tariff was set by the Bureau of Public Utilities at an absurdly low level. The Shanghai Power Company's rate which had been CRB\$800 per kilowatt hour (US\$0.0072) was set by the Bureau at CNC\$4 per kwh, yielding the same equivalent in U. S. currency. This provided revenue barely sufficient to purchase the coal utilized in generation if coal costs were less than US\$3 per metric ton. There was no coal to be had at that time at any price, but the company estimated that any coal they could obtain in future would cost approximately US\$15 per ton delivered at their power plant.

The Public Utilities Bureau permitted the Power Company to treble its rate in CNC beginning November 10 to CNC\$12 per kwh, but due to the drop in CNC the equivalent in U. S. dollars remained practically the same (US\$0.008). In order to keep down consumption for lighting purposes, this rate was permitted to be progressively increased as consumption increased. At the same time in order to permit industry to get started, previous restrictions on the use of electricity for industrial purposes were removed. However, even with these increases, the Shanghai Power Company for November expects to incur an operating loss of approximately CNC\$137,500,000, or about \$90,000 in U. S. currency. These rates will again come up for revision by the Bureau of Public Utilities on December 10, and it remains to be seen what will be the attitude of the Chinese authorities toward the Company's requests for further increases.

A similar situation exists in connection with the rates permitted to be charged by the Shanghai Telephone Company, but in their case there is concrete evidence of discrimination in that the American-owned company has been held to a much lower rate than the Chinese Government Telephone Administration operating under the Ministry

of Communications which serves the adjoining area of Shanghai outside the former International Settlement and French Concession. For example, the present monthly rate which the Shanghai Telephone Company is permitted to charge for a business phone using 200 calls per month is CNC\$880 (US\$0.587) while a similar type of phone service in the areas served by the Chinese Government Telephone Administration is CNC\$2330 (US\$1.553) per month. The same type of service rendered by the Canton Telephone Administration (also operated by the Ministry of Communications) is CNC\$2700 per month (US\$1.80). The Shanghai Telephone Company also reports that it is incurring a monthly operating loss running into several tens of thousands of U.S. dollars.

I was informed on November 23 by Mr. Hopkins that the Shanghai British-owned utility companies (Shanghai Waterworks and Shanghai Tramways) had approached him with the suggestion that there should be a united British-American protest to the Chinese authorities at Chungking through consular and embassy channels, against the rate structure in general. Mr. Hopkins states he told the other utility representatives that he was not prepared to ask for diplomatic representations until he had exhausted all other remedies. He stated to me that in these matters the other utility companies have in the past followed the lead of the Power Company in taking action and that his impression was that after talking with him the representatives of the British utility companies would defer their representations at least until after the new rates had been set in December.

Respectfully yours,

PAUL R. JOSSELYN

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740.00119 PW/10-3145

*The Secretary of State to the Chargé in China (Robertson)* <sup>51</sup>

WASHINGTON, November 30, 1945.

Urtel 1980, Oct. 31, 1945.<sup>52</sup> Two copies enclosed in Dept's memo March 20, 1942,<sup>52a</sup> sent to persons informing Dept of property interests likely to be affected by enemy action, etc. Dept informs such persons submission of requested information did not constitute filing of claims but would facilitate efforts to protect Am interests.

Dept informs Am citizens wishing to file claims on account property losses that they should submit sworn statements, in duplicate describing property, giving location and value, manner in which acquired, extent of any non-American interest in property; facts relating

<sup>51</sup> Sent by air mail transmittal slip.

<sup>52</sup> Not printed.

<sup>52a</sup> Enclosures not found attached to file copy.

to its seizure, sequestration, damage, or destruction, and in particular those showing enemy's responsibility; and how and when owner became Am citizen. In case of corporations, asked to indicate state or country under whose laws incorporated and give list of names and nationalities all alien stockholders with respective extent of holdings as compared with total shares outstanding. Dept adds that such statements should be supported by evidence. No forms or blanks are supplied by Dept.

As most damage and loss to Am property resulting from war occurred outside US, Dept is requesting its officers in enemy territory and territory liberated from enemy to ascertain and report upon present status American-owned property and extent of war damage thereto, when owners give enough facts to make this possible.

Under Act March 27, 1942 (56 Stat. 176 [175], 15 US Code, Sec. 606b-2), War Damage Corp., subsidiary of Reconstruction Finance Corp., authorized to compensate losses subsequent to Dec. 6, 1941 and prior to July 1, 1942, in US, territories and insular possessions, Philippines, etc. Later coverage is on insurance basis. Two copies of relevant War Damage Corp. blanks also enclosed.<sup>53</sup>

Information and blanks may be transmitted to Chinese Govt.

BYRNES

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393.115/11-3045

*The Chargé in China (Robertson) to the Secretary of State*

No. 907

CHUNGKING, November 30, 1945.

[Received December 11.]

The Chargé d'Affaires ad interim has the honor to transmit,<sup>53</sup> as a matter of record, the text of the Embassy's note to the Ministry of Foreign Affairs under date of September 14, 1945 on the subject of protection of American property rights in Shanghai and other recovered areas. The Embassy suggested that to relieve uncertainty on this matter it would be helpful if the Chinese Government would confirm its informally understood policy of returning such property to its rightful owners by making an official announcement and by publicly instructing its appropriate civil and military authorities in accordance therewith.

Also transmitted is a copy of the reply of the Ministry of Foreign Affairs under date of September 21, 1945, in which it was stated that as a measure of protecting the property rights of Allied nationals, the Ministry had duly petitioned the appropriate authority to issue circular instructions to the subordinate organizations responsible for the

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<sup>53</sup> Enclosures not printed.

handling of such matters. In its further reply (copy enclosed) of November 10, 1945, the Ministry of Finance stated that among enemy and public properties in the recovered areas, many were originally financed and operated by Allied nationals but were seized by the enemy and puppets. Therefore, the Chinese Government has set up in the various provinces and municipalities receivership committees to take over all properties to ascertain the original rights thereto and to dispose of item by item in accordance with law. The Ministry states that this policy is intended to safeguard the legitimate rights and interests of Allied nationals. To serve in Shanghai "which has hitherto been an industrial and commercial center where conditions are markedly unusual", the Ministry states that the Chinese Government has engaged three lawyers, namely, Messrs. Hsu Shih-hao, Yeh Shao-ying and Chang Shih-chu to act as legal advisers in matters relating to receivership in that municipality so that they may give legal advice when the taking over and disposition of such property takes place.

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393.1163/12-345: Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*<sup>54</sup>

WASHINGTON, December 3, 1945—4 p. m.

241. Please request Bishop Ward to supply you with a list of the mission-owned properties he found occupied together with available information identifying the occupying military unit or government organ (Urtel 74 [274], Nov. 27, 8 a. m.). On receipt of such information you are authorized to request the appropriate Chinese authorities to effect the removal of the occupying troops or organizations and to afford protection to the properties, turning them over to the mission's designated representatives in each case where such representative is on hand. Sent to Shanghai repeated to Chungking.

BYRNES

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393.1163/12-445: Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 4, 1945—1 p. m.

[Received 3:22 p. m.]

93. [To Embassy:] Your 153, November 28, 2 p. m.<sup>55</sup> Matter discussed with Secretary General Shanghai municipal government who likewise disapproves of Consular proclamations. He said that the pro-

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<sup>54</sup> Repeated as No. 1925 to the Embassy in China.

<sup>55</sup> Not found in Department files; it probably was sent from Chungking to Shanghai and not repeated to Department.

tection which would be given depended in the final analysis on the good will and cooperation of the local Chinese authorities and that at the present time the feeling toward the U. S. was very good so that there should be no difficulty in getting protection. He suggested notification of location of properties through Foreign Office to local authorities with request for protection and also display of American alongside Chinese flag over properties. Since Mission properties in question are almost all outside Shanghai and are scattered over several provinces, I believe that notifications should be made through Central Government. On other hand, there are several hundred separate Mission properties whose location would, under this procedure, be notified to the Foreign Office and it is doubtful whether increased protection afforded would compensate for labor involved. Suggest that Embassy request Foreign Office to issue instructions to Provincial Governors to inform Mayors and District magistrates to afford special protection American Mission properties within their jurisdiction. If possible to obtain a copy of such instruction, it could then be reproduced and be posted on Mission premises and would take the place of Consular proclamation and together with Chinese and American flags should afford some protection. Sent to Chungking, repeated to Dept.

JOSSELYN

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893.60/12-445 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 4, 1945.

[Received December 5—5:59 p. m.]

24. I called yesterday on Yorkson Shen, Adviser to Minister of Foreign Affairs in Tientsin, whose absence in Peking since November 21 made previous approach impossible. My call was particularly timely as Shabas, manager for Karagheusian, reported that 7 to 10 truckloads of wool had already been removed in the past 3 days from premises, evidently on instructions of General Chiang Shih-yi, president of North China Uniform Company, notwithstanding my letter to General Chiang of November 19th claiming all stocks and equipment and specifically requesting no action be taken for the time being as to Japanese property found on the premises. Shen agreed to take this matter up today with Marshal Li Tsung-jen in Peking, while Director of Foreign Affairs Department, Tientsin Municipal Government, also present during the interview, stated he would take up the question with the Mayor today. Shabas reported that work started in the weaving department on December 1, that Chinese military are attempting to repair a boiler to start heating, and that about 30 weavers are already working under supervision of 4 Japanese technicians



previously employed by Japanese factory occupying property. I have written General Chiang that Shabas has been instructed to inventory all property on Karagheusian premises, segregate company from Japanese property, and that Consulate General cannot understand his complete disregard of American rights and requests that immediate steps be taken to return all wool removed. General Chiang stated in a letter to me of December 2 that "with regard to certain machines and materials later replenished by the Japanese, they shall be taken over by us"; that "as to losses of American nationals and business concerns the Americans should demand compensation from the Japanese Government"; that "property left by the Japanese cannot now be taken to set off the losses of your nationals and firms"; that "moreover, we have to use that factory for producing army blankets"; and that "we now desire to lease the building and machines belonging to these American firms," for which our assistance is requested.

Sent to Chungking; repeated to Department.

MYERS

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393.115/12-445: Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 4, 1945—4 p. m.

[Received December 5—6:20 p. m.]

[25. To Embassy:] In continuation of my 24, December 4, I am convinced that peremptory orders from Minister of Military Affairs or even higher authority will be needed to prevent General Chiang from exploiting these American premises to the limit on his own terms and from depriving this American firm from consumable goods, equipment and machinery to which it is clearly entitled on the basis of the Foreign Minister's understanding with the Chargé set forth in the Embassy's 1950, November 9.

MYERS

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393.115/12-745: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 7, 1945—11 a. m.

[Received December 7—7:58 a. m.]

2114. [For the Consul General at Tientsin:] Have protested to Foreign Office action General Chiang Shih-yi (re your Nos. 24, 25, December 4). Foreign Office stands squarely behind principles set forth Embassy telegram 1950, November 9 and Tientsin Chinese au-

thorities are being notified by telegram accordingly. (Sent Tientsin, repeated Dept.) Please report promptly and in specific terms any violations.

ROBERTSON

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393.115/12-745: Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 7, 1945—4 p. m.

[Received December 9—1:14 a. m.]

26. [To Embassy:] Following our conversations with Mayor and Director [of] Foreign Affairs Department, Tientsin Municipal Government, Mayor authorized "accommodating procedure" whereby American properties, upon presentation of each case to Mayor's property committee by this Consulate General, might be temporarily turned over to their owners together with movable property found in them after an inventory has been made and checked by American and Chinese authorities, each to keep a copy of inventory. This arrangement, however, did not permit American firms to dispose of abandoned Japanese property found in their premises, even when similar to property confiscated by the Japanese. Last night Director of the Foreign Affairs Department, Tientsin Municipal Government, told Hinke<sup>56</sup> that [Executive] Yuan order just received requires local authorities to take over all abandoned Japanese property, including that found on American premises irrespective of nature of property. This apparently cancels understanding reached between Embassy and Chinese Foreign Minister permitting American firms to obtain possession of goods identic with or similar to those on premises when taken over by the Japanese as well as terminates cooperative efforts municipal authorities to solve thorny movable property problem.

With reference to my telegram No. 24 of December 4, Chinese military occupants of Karagheusian property reportedly informed director [of] Foreign Affairs Department, Tientsin Municipal Government, yesterday they would permit company to inventory contents of premises provided he would guarantee leasing of property to them. Meanwhile, Chinese woolen mills in Tientsin are not being required [to] work on Chinese military contracts allegedly because "they are private Chinese property".

Furthermore, War Transportation Board has seized Japanese motor car parts stored on premises of Frazar Federal, Incorporated, despite understanding with municipal officials to avoid such occurrences. In

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<sup>56</sup> Frederick W. Hinke, Second Secretary of Embassy in China and Consul on detail at Tientsin.

both cases Consulate General has requested return of goods taken pending settlement of question at issue in Chungking.

Sent to Chungking, repeated to Dept, true readings by airmail to Peiping and Shanghai.

MYERS

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393.1163/12-1045: Airgram

*The Consul General at Shanghai (Josselyn) to the Chargé in China (Robertson)*<sup>57</sup>

SHANGHAI, December 10, 1945—5 p. m.

Reference your 166, December 3, 2 p. m.,<sup>58</sup> and Department's 241, December 3, 4 p. m. repeated to you.

Pending the collection of data called for regarding occupation of mission premises, I desire to bring the following cases of occupation by Chinese troops in Shanghai to the urgent attention of the Embassy.

The University of Shanghai, located at Yangtzepoo, Shanghai. Campus occupied an area of 52 acres on which are 35 buildings, and the property is owned by the American Baptist Board of Missions. This property has for several weeks been occupied by about 1,000 troops (Koreans) of the Korean Recovery Army and during the past week, in addition 2,000 or 3,000 Chinese troops belonging to the 14th Division of the New 6th Army have also moved into the premises. These troops are cutting down trees, removing doors, window frames, etc. for firewood and doing considerable other damage to the premises.

The China Bible Seminary, 500 Recreation Road, Kiangwan, Shanghai has been occupied for some time by the 22nd Division of the New 6th Army.

I have made both written and oral representations to General Tang En-po, Commanding General of the Third Direction Army and have received assurances from him that the matter would be attended to, but up to date no remedial action has been taken. In the case of the Shanghai University, it appears that the Chinese expect to use the premises as a staging area since, in addition to the Koreans who have been there for some time, two or three Chinese groups have occupied the campus. The owners of both of these premises are anxious to gain possession of them and to undertake the work of cleaning up and repair which is, of course, impossible at the present time. The shifting of units makes it easy for the local Chinese authorities to avoid responsibility.

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<sup>57</sup> Copy received in the Department on December 18 at 9:11 a. m.

<sup>58</sup> Not found in Department files.

While these are, of course, not isolated cases, they are typical and are the more flagrant because they are located here in Shanghai. I request that the Embassy be good enough to bring this matter to the urgent attention of the appropriate Chinese authorities to the end that effective telegraphic instructions be issued to the local military authorities to vacate and return these premises to the American missionary organizations concerned and to prohibit Chinese and Korean military units from the future occupation of American property.

JOSSELYN

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393.115/12-1145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 11, 1945—10 a. m.

[Received December 11—3:10 a.m.]

2137. [To Consul General at Tientsin:] Please advise if situation described your unnumbered December 7, 4 p. m.<sup>59</sup> has been corrected as result of our protest to Foreign Office reported Embassy's telegram 2014 [2114], December 7. (Sent to Tientsin, repeated to Department.) Foreign Office is being informed [of] continued violation of agreement with Embassy but formal protest will be delayed pending reply this telegram.

ROBERTSON

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893.655/12-1245 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 12, 1945—1 p. m.

[Received 11:20 p. m.]

27. [To Embassy:] No wool has been returned to Karagheusian. Instead Chinese military are putting spinning department in operation (your telegram No. 2137 of December 11, 10 a. m.). Company not interested in lease arrangement but might be willing to manufacture blankets or other woven materials on contract basis. Local management instructed by head office not to take formal possession of premises except with full contents.

Presumption is that Chinese military here are seeking to consume all possible raw materials prior to releasing property to owners for which they may already have received instructions from Chungking and which are being ignored. War Transportation Board is continuing removal of spare motorcar parts from Frazar premises and has not returned parts already removed.

Both General Chiang Shih-yi and War Transportation Board informed today substance of Embassy's arrangement with Chinese For-

<sup>59</sup> See telegram No. 26, p. 1416.

eign Minister and request for return of goods removed was reiterated. Simultaneously the Mayor has been requested to maintain present status of his "accommodative procedure" necessitated by instructions from Executive Yuan mentioned in my telegram No. 26 of December 7, 4 p. m. These instructions were published in local press prior to the receipt of the Mayor's note to me.

Sent to Chungking; repeated to the Department.

MYERS

393.115/12-1445 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 14, 1945—4 p. m.

[Received December 15—10:16 a. m.]

28. [To Embassy:] This morning Karagheusian manager called with General Shih-yi's secretary who agreed to provide office space and begin making joint inventory tomorrow, evidently direct result of your representations, Embassy's 2137, December 11, 10 a.m. and my telegram No. 27, December 12, 1 p. m.

Chiang's secretary informed that we regard this as first step toward return of premises and full contents to American owners, that company not interested in lease but would be willing to discuss contracts for woven or other materials after property is returned. No response yet from War Transportation Board in Frazar case.

Extremely complicated situations will arise here in disposing of "dissimilar" industrial property such as Japanese milk plant in Andersen, Meyer premises discussed in my airgram No. 8 of December 11<sup>60</sup> unless Foreign Minister will extend his understanding to include any Japanese property on Allied premises except property formerly in possession of Japanese or puppet military authorities and governments which suggestion was favorably received by Director [of] Foreign Affairs Department, Tientsin Municipal Government.

Sent to Embassy, repeat[ed] to Department.

MYERS

393.115/12-1445 : Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TIENTSIN, December 14, 1945—5 p. m.

[Received December 15—5:45 a. m.]

29. [To Embassy:] Settlement WPO [WTB]<sup>61</sup> booty cases evident[ly stopped?] our [and] delay in releasing Karagheusian

<sup>60</sup> Not found in Department files.

<sup>61</sup> War Transportation Board.

property may be partly due to delay in turning over to Chinese of Jap military supplies held by Marines.

The end [*trend*] toward preferred treatment of Americans shown in Executive Yuan orders to [Mayor,] Mytel 26, December 7, undesirable unless they accord most-favored-nation treatment to other Allies, essential to equitable solution entire problem.

Sent to Embassy, repeated to Department.

MYERS

393.115/12-1645: Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TEINTSIN, December 16, 1945—4 p.m.

[Received December 17—12:35 p. m.]

30. [To Embassy:] War Transportation Board removed from Frazar premises 97 cases motor car parts, 96 tires, 20 batteries and 153 tins on [*of*] carbide on December 14 (Embassy's 2137 of December 11, 10 a. m. and my telegram No. 28, December 14, 4 p. m.), notwithstanding Consulate General's prior request to cease removals and return goods already removed.

Stevens,<sup>62</sup> Peiping, informed in memorandum dated December 12 from Generalissimo's Headquarters, Peiping, that Yorkson Shen had requested General Li Tsung-jen to order General Chiang Shih-yi to stop "disturbing the goods of the Karagheusian Wool Company", which order has been issued.

Sent to Embassy, repeated to Department.

MYERS

393.115/12-1845: Telegram

*The Consul General at Tientsin (Myers) to the Secretary of State*

TEINTSIN, December 18, 1945—1 p. m.

[Received December 20—6:15 a. m.]

31. [To Embassy:] Roger Liao of War Transportation Board called yesterday to state that motor car parts were removed in accordance with instructions of Executive Yuan as transmitted to the Board by the Tientsin Municipal Government (reported in my telegram No. 26 of December 7); that Board has complete inventory of all motor car parts on Frazar premises and is keeping accurate record of all removals; that parts withdrawn are essential for maintenance of To-

<sup>62</sup> Harry E. Stevens, Second Secretary of Embassy in China and Consul on detail to Peiping.

yoda trucks operated by Chinese organizations here, primarily for military service, all of which are dependent upon one large repair depot; and that further withdrawals will be necessary to continue repair, exact records of withdrawals being kept.

Hinke agreed that in view of conflicting decisions of Chinese Government agencies in Chungking the question cannot be solved at a local level but that the difficult problem already under discussion, the additional question of compensation for such removals, will have to be referred to Chungking for consideration and decision.

According to a letter of December 15 to this office received yesterday, North China Uniform Factory now instructed by Ministry for Foreign Affairs through Generalissimo's Peiping headquarters not to remove any property found in premises of Allied firms pending settlement and subsequently that "all stocks and equipment listed in inventory transferred by Japanese are to be turned over to the Americans". These instructions refer specifically to the Karagheusian property and are now apparently being carried out satisfactorily.

Temporary People's Commissariat of Finance of J. E. Hayes Engineering Corporation has been approached by Chinese Military for 6 months' lease of company premises, a suggestion [reported in my?] airgram No. 8 of December 11,<sup>63</sup> with tentative rental of CN 300,000 monthly proposed.

Sent to Chungking, repeated to Department.

MYERS

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393.115/12-2745: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 27, 1945—4 p. m.  
[Received December 27—11:21 a. m.]

2226. Taking over by Chinese authorities of Japanese stocks and equipment located on premises of American firms in Tientsin has raised question whether all such property can be legitimately regarded as Chinese war booty or whether American owner of premises where it is located may not be entitled to claim all or part as compensation for losses and damage occasioned by Japanese. Some of the goods in question are similar to those used in ordinary business of American firm and might be considered as replacing stocks taken over by Japanese while others are entirely different. In some cases stocks and equipment are owned by Japanese or puppet Govts and in other cases by private Japanese.

<sup>63</sup> Not found in Department files.

Embassy would appreciate Dept's instructions as to extent it should support claims of American firms to various categories of Japanese goods mentioned above which may be located on their premises. Informal understanding has been reached with Foreign Office providing that Japanese goods located on premises of American firms will be turned over to American owner whenever they are similar to those used in firm's ordinary business (Embtel 1950, November 9), dissimilar goods being treated as Chinese war booty. In discussions leading to this understanding no distinction was made between Japanese public and private property.

[ROBERTSON]

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393.1163/12-2845 : Telegram

*The Second Secretary of Embassy in China (Stevens) to the Secretary of State*

PEIPING, December 28, 1945—4 p. m.

[Received December 28—9 a. m.]

42. [To Embassy:] Six American and six Canadian nuns of the Order of the Precious Blood and three French nuns belonging to the Helpers of the Holy Souls are isolated in their respective convents at Hsienhsien in southern Hopei Province about 100 miles southwest of Tientsin as a result of a raid on the Catholic Mission there perpetrated by Chinese Communists or bandits on December 18. These nuns are unable to leave their houses because of the state of the area and they are marooned there without food, the Communists having looted all nuns' stock as well as the linen and bedding of the sisters. The raiders abandoned an attempt to occupy the two respective convents.

In priests' residence at the Mission there remain 16 French missionaries, 1 Belgian and 1 Spaniard. Father Charvet, S. J., is in charge of this group. A number of Chinese priests, scholastic brothers and seminarians managed to escape from the residence during the night a few days after the attack and reached Peiping on December 26.

Sent to Chungking; repeated to Dept.

The above information was received through Julien Ghyselinck, S. J., procurator of the Mission who is at Maison Chakorel, No. 1 Shih Hu Hutung, Peiping.

It is suggested that the Embassy may wish to approach Yen-an leaders now present in Chungking with a view to having Communist instructions issued to Communists at Hsienhsien to facilitate evacuation in safety of the foreign nuns to Peiping.

[STEVENS]



393.115/12-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 31, 1945—1 p. m.  
 [Received January 2, 1946—10:10 p. m.]

2252. [To Consul General at Tientsin:] Present conditions in Tientsin appear to justify pressure by American military authorities on Japanese Command to effect return to Allied nationals of their household effects confiscated by Japanese and still in Japanese hands. With respect to household effects confiscated by Japanese from Allied nationals and now being used by Marines, solution suggested your airmgram No. 6, December 7<sup>64</sup> seems satisfactory. In recovering effects of Allied nationals, great care should be used to ensure adequate identification of his property by each alleged owner in order to avoid any possible conflict with claims of Chinese citizens, which might easily result in breakdown of whole procedure (Sent Tientsin).

Should it be impossible to work out a course of action locally with the Commanding General, Third Amphibious Corps, Embassy will take up whole problem with Commander, Seventh Fleet.<sup>65</sup>

ROBERTSON

393.115/12-2745 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, January 4, 1946—7 p. m.

27. Hague Regulations Land Warfare 1907<sup>66</sup> to which China adhered 1917 provide in article 53 limitations on war booty regarded by Dept as valid (Urtel 2226, Dec 27). Only (1) movable, (2) government owned property, (3) susceptible of military use, for example cash, arms depots, means of transport, may properly be treated as war booty aside from battlefield booty. All three conditions must be met. In general private property may be taken only if paid for or returned later. Undoubtedly complexities of Jap and puppet ownership and corporations will make final determination difficult but rule above is only feasible guide. The alternative justification for seizure is as debit to reparations account.

Dept considers local arrangement on property offsets (Urtel 1950 Nov 9) an excellent solution to immediate problem of aiding American firms but stresses informal nature of such an agreement due to unqualified right of Chinese to confiscate all Jap property as war booty

<sup>64</sup> Not found in Department files.<sup>65</sup> Adm. Thomas C. Kinkaid, U. S. N.<sup>66</sup> *Foreign Relations*, 1907, pt. 2, p. 1216.

if appropriate or otherwise as debits to reparations account. Consequently Embassy can support claims on basis this arrangement only when property involved is similar to usual business stocks seized and consumed by Japs, or equipment removed, damaged or destroyed by them.

Referring to Chinese acceptance of paragraph 3 (a) of Deptel 1350 of Aug 28 (Urtel 2059 Nov 24 [29])<sup>67</sup> what steps have been taken to list Jap property in liberated areas? This action, together with an accounting for assets seized other than war booty, will be essential for eventual reparations settlement. Deptel 1543, Sept 12 [25],<sup>68</sup> consenting to confiscation makes this a condition which Dept considers vital to proper calculations.

Sent to Chungking, repeated to Tientsin and Shanghai.

BYRNES

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393.115/1-3046: Circular telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 30, 1946—8 a. m.

[Received January 31—1:45 a. m.]

Taking over by Chinese Government of Japanese property in liberated areas raised question whether such property found on premises of American firm might be retained by firm. Discussion of this question with Foreign Office resulted in informal understanding that Japanese stocks and equipment found on premises of American firm would be considered property of firm whenever identical with or similar to stocks and equipment on premises when Japanese took possession. This principle applies to consumable goods as well as machinery and equipment. (Sent Hankow, Canton, Tsingtao, to Dept as circular January 30. Copies to Tientsin and Shanghai by airmail.)

Dept in telegram 27, January 4 to Embassy stated that above arrangement is considered excellent solution to immediate problem of aiding American firms, but stresses informal nature of understanding because of unqualified right of Chinese to confiscate all Jap property as war booty if appropriate or otherwise as debits to reparations account. Consequently, Dept adds, Embassy can support claims this basis only when property involved is similar to equipment removed, damaged or destroyed by them.

You are authorized to support locally claims of American firms to Jap property within the limits defined above, and to refer to Embassy any cases which cannot be settled locally.

SMYTH

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<sup>67</sup> Neither printed.

<sup>68</sup> Not printed.

ARRANGEMENTS FOR PROVIDING TECHNICAL ASSISTANCE FROM THE UNITED STATES FOR CHINA <sup>1</sup>

893.6363/1-1345 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, January 13, 1945—8 p. m.

74. Following the request of the National Resources Commission of China we have arranged with the Petroleum Administration for War to send to China two petroleum experts, Martin J. Gavin and Andrew N. Mackenzie, for the purpose of obtaining full data as to what immediate steps might be taken to maintain and expand the production, refining, and distribution facilities of the Kansu Oil Fields so as to achieve the maximum potential supply of oil from this source for war needs in that theatre.<sup>2</sup> They will leave here about February 1, 1945. Please inform the Chinese Government and the U. S. Military Commander and advise the Department if these arrangements are agreeable. For your guidance the military authorities here have expressed their definite interest in securing this information.

GREW

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893.6363/1-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 20, 1945—5 p. m.

[Received January 21—6:40 a. m.]

93. Arrangements [to] send Gavin and Mackenzie agreeable to theater commander<sup>3</sup> and Wong Wen-hao, chairman Chinese WPB<sup>3a</sup> and concurrently Economic Affairs Minister and Director National Resources Commission (ReDeptel 74, January 13, 8 p. m.).

Wong and Coonley<sup>4</sup> state they believe these men will be helpful in war effort; that Donald Nelson<sup>5</sup> assumably knows of this project;

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<sup>1</sup> For previous documentation regarding technical assistance to China, see *Foreign Relations*, 1944, vol. vi, pp. 1111 ff.

<sup>2</sup> The interest of the Chinese Government in the mission was expressed in a letter of December 4, 1944, from Dr. C. S. Wang, Director of the Technical Office in the United States of the National Resources Commission of China (893.6363/1-1245).

<sup>3</sup> Lt. Gen. Albert C. Wedemeyer, U. S. Forces in China Theater.

<sup>3a</sup> War Production Board.

<sup>4</sup> Howard Coonley, American Adviser to the Chinese War Production Board.

<sup>5</sup> Donald M. Nelson, President Roosevelt's Personal Representative in China to advise in setting up a Chinese War Production Board.

and that men named meet general specifications made known by Coonley to Nelson. Behalf Chinese Government Wong states they will be welcome. Coonley expresses hope they will arrive here early February.

HURLEY

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893.64A/1-2645: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 26, 1945—2 p. m.

[Received January 27—10 a. m.]

115. ReDeptel 18, January 4, 2 p. m.<sup>5a</sup> Foreign Affairs Minister <sup>6</sup> under date January 15 requests Embassy to recommend that United States Bureau of Reclamation be designated to design and, when Chinese Government has available funds, to construct Yangtze Gorge project outlined in Savage's <sup>7</sup> preliminary report and that Bureau be given every appropriate priority regarding manpower and supplies to facilitate work on preparing final report, specifications and contract drawings for this project. Soong expresses hope that, if and when President Roosevelt sanctions undertaking, instructions will be given to Bureau to negotiate and sign contract for technical assistance with Dr. S. C. Wang, chief representative of technical group in United States of National Resources Commission.

Soong quotes nine stipulations made by Bureau for undertaking project and states they appear to NRC <sup>8</sup> and to him "both reasonable and workable, and are acceptable in their entirety." It is indicated in [stipulation?] <sup>6</sup> that costs are to be borne by Chinese Government and we assume American Government so wishes.

Embassy informing Soong that his request is being transmitted to Department with recommendation that it be given favorable consideration. Despatch follows.<sup>9</sup>

HURLEY

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<sup>5a</sup> Not printed.

<sup>6</sup> T. V. Soong.

<sup>7</sup> John L. Savage, Chief Designing Engineer of the Bureau of Reclamation, Department of the Interior, who was sent to China at the request of the Chinese Government for consultation on a number of major hydro-electric power projects in that country. He arrived in Chungking, May 25, 1944, completing his preliminary report after 6 months in China. (893.64A/2-145)

<sup>8</sup> National Resources Commission.

<sup>9</sup> No. 104, January 29, not printed.

893.6363/1-2045 : Telegram

*The Acting Secretary of State to the Chargé in China (Atcheson)*

WASHINGTON, February 23, 1945—5 p. m.

310. Gavin and Notestein,<sup>10</sup> who is substituting for Mackenzie, left Washington last week for China. Notestein is from the Foreign Production Division of the Petroleum Administration for War and Gavin is from the Foreign Refining Division.

Their mission is being made with the approval of the Nelson Mission which has agreed to give them all possible assistance (Reurtel 93, January 20). They will also need the assistance of the Chungking and provincial governments. To assure the full cooperation of the latter, you may wish to bring their mission to the attention of Dr. T. V. Soong and the Generalissimo<sup>11</sup> in order that appropriate instructions may be issued to the provincial authorities.

GREW

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893.6363/3-245 : Telegram

*The Chargé in China (Atcheson) to the Secretary of State*

CHUNGKING, March 2, 1945—9 a. m.

[Received 1:05 p. m.]

342. ReDeptel 310, February 23, 5 p. m. Regarding American petroleum experts now enroute to China, Coonley, Taelsons [*Nelson's?*] deputy here, states complete Chinese National Government and Provincial Government cooperation already assured through prior arrangements made by him with Dr. Soong and Dr. Wong Wen-hao, chairman of Chinese WPB, and no further action necessary at present.

ATCHESON

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893.6461/5-445 : Telegram

*The Acting Secretary of State to the Secretary of State, at  
San Francisco*<sup>11a</sup>

WASHINGTON, May 4, 1945.

31. Understand Chinese Minister of Foreign Affairs may approach you in regard to assistance of this Government, particularly the Bureau of Reclamation, in connection with Yangtze Gorge hydroelectric power project. This matter is now under consideration in the Department and attitude of interested divisions, as far as determined,

<sup>10</sup> Frank B. Notestein reported from Casablanca that because of injuries from an accident, he was unable to continue; John L. Rich was substituted.

<sup>11</sup> President Chiang Kai-shek.

<sup>11a</sup> Mr. Stettinius was attending the United Nations Conference at San Francisco.

apparently not favorable. Clayton<sup>12</sup> will be prepared to discuss the question with you and Minister Soong.

GREW

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893.6463/5-545 : Telegram

*The Secretary of State to the Acting Secretary of State*

SAN FRANCISCO, May 5, 1945.

[Received May 5—10:48 p. m.]

13. For Clayton. Soong has not raised with me the question of assistance in connection with the Yangtze Power Project referred to in your No. 31, May 4. He has said, however, that he will raise all the economic matters in which he is interested when he is in Washington next week.

STETTINIUS

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033.1193 Nelson, Donald M./5-3045 :Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 30, 1945—1 p. m.

[Received May 30—9:43 a. m.]

876. Work of Nelson Mission was discussed at length last night at a meeting attended by Kearney<sup>13</sup> and Brooks,<sup>14</sup> General Olmsted,<sup>15</sup> representatives of NEA [FEA]<sup>16</sup> and of the Embassy including Robertson<sup>17</sup> just arrived. It was agreed among us that, assuming it may be possible to obtain a more effective degree of cooperation from the Chinese authorities (which will require early discussion with and positive action by the Generalissimo), it will be recommended that the Mission be retained in approximately its present form at least until a port and corridor for the supply of China have been opened. Detailed report by air follows, please inform Locke.<sup>18</sup>

HURLEY

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033.1193 Nelson, Donald M./6-645

*The Ambassador in China (Hurley) to the Secretary of State*

No. 460

CHUNGKING, June 6, 1945.

[Received June 19.]

SIR: Supplementing my telegram no. 876 of May 30, 3 p. m. I have the honor to enclose for the information of the Department a copy of

<sup>12</sup> William L. Clayton, Assistant Secretary of State for Economic Affairs.

<sup>13</sup> A. T. Kearney, ranking officer of the American Production Mission to China.

<sup>14</sup> E. P. Brooks, American Production Mission to China.

<sup>15</sup> Brig. Gen. George H. Olmsted, G-5, Civil Affairs Officer, China Theater.

<sup>16</sup> Foreign Economic Administration (FEA).

<sup>17</sup> Walter S. Robertson, Minister Counselor for Economic Affairs in China.

<sup>18</sup> E. A. Locke, Jr., Assistant to Donald M. Nelson.

a secret memorandum dated May 29<sup>19</sup> entitled "The 1945 Objectives of the Chinese War Production Board" prepared by Mr. A. T. Kearney, ranking officer of the Nelson Mission.

This report was discussed at a meeting at my house on May 29 attended by Messrs. Kearney and Brooks of the Nelson Mission, Brigadier General George Olmsted, and representatives of the FEA and of the Embassy. As stated in my telegram it was agreed that *if* it is possible to obtain a more effective degree of cooperation from the Chinese Government, it will be recommended that the Mission be retained in approximately its present form at least until a port and corridor for the supply of China have been opened.

A study of the report indicates that the principal obstacle to success has been the Chinese Government itself, which has not in the opinion of those present at the meeting extended the degree of support to the Mission which that group could legitimately have expected to receive, and in fact must receive if war production in this country is to be substantially increased. As pointed out by Mr. Kearney in his memorandum, production for the four months, January to April 1945, has not risen to the extent anticipated for the reason that the Chinese Government (Executive Yuan) has not provided the requisite funds, in which connection Mr. Kearney states that "one of our main tasks is to help the WPB get the appropriation it needs to purchase munitions and essential civilian supplies in quantities equal to the productive capacity of Free China's industries". A second problem is to help the Chinese WPB obtain the authority necessary to establish the ceiling price on coal and other commodities. Mr. Kearney continued:

"These are issues that even the Chinese chairman of the Board cannot resolve. They are so fundamental, so far-reaching in their economic and political effects, that they can be decided only by the Generalissimo. And since we are convinced that the whole Chinese war production effort will continue to limp along in second gear unless these issues are settled once and for all, it is planned to present them to him as persuasively and as promptly as possible."

In regard to the problem of obtaining funds, General Olmsted made the suggestion, which I understand is still under study, that an arrangement be made with the Chinese Government whereby Army Headquarters would make the necessary advances in Chinese currency (thus short circuiting the cumbersome proceedings involving appropriations by the Executive Yuan). The amount so advanced would be deducted in whole or in part (depending on end use of the commodity produced) from the total in Chinese currency, in the liquidation of our Army accounts of a given quarter.

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<sup>19</sup> Not printed.

As stated in my telegram no. 876 I shall seek an early opportunity to discuss the problem with Generalissimo Chiang Kai-shek, first ascertaining the views of General Wedemeyer and General Olmsted in the light of the then prevailing situation.

Although the achievement of the Nelson Mission has not measured up to the goal which they set for themselves at the beginning of the year, I wish to record that in my opinion the Mission has nevertheless accomplished an extremely valuable piece of work in ascertaining facts, and in determining exactly what is the productive capacity of Free China at the present time in such essential commodities as coal and coke, iron and steel, electric power, alcohol, textiles, etc. The technical advisors attached to the Mission have impressed me as being thoroughly competent and their findings have practically eliminated the possibility of any substantial margin of error in estimating such capacity. This in itself is a very important contribution since without such information no accurate analysis of the economic picture of Free China would be possible, and moreover no reply would have been possible to somewhat extravagant statements which Chinese producers have been prone to make in the past. In other words, the area of uncertainty has been reduced to a minimum and our military authorities have been able to ascertain exactly where they stand with regard to the Chinese war production potential. I consider that this has been a very substantial achievement, for which all the present members of the Mission and Messrs. Kearney and Brooks in particular, are entitled to full credit.

I shall report further as developments occur. In the meantime the Department may care to make this despatch available to Mr. Edwin A. Locke.

Respectfully yours,

PATRICK J. HURLEY

033.1193 Nelson, Donald M./6-845

*The Ambassador in China (Hurley) to the Secretary of State*

No. 467

CHUNGKING, June 8, 1945.

[Received June 22.]

SIR: With reference to my despatch 460 and previous correspondence concerning the work of the Nelson Mission and Chinese War Production Board I have the honor to quote the following release of the (Chinese Government) Central News Agency, under date of June 4th last.

“Dr. Wong Wen-hao, Chairman of the War Production Board, pointed out today that unstable price has exerted an adverse influence on war production.

“‘We have many problems to contend with in our efforts to expand war production,’ Dr. Wong explained. ‘Among the most serious of



them, perhaps, is that of the rapidly rising costs of production. Producers naturally do not want to accept prices, or contracts, which involve a loss for them. On the other hand, we cannot let prices rise indefinitely, but must hold them in check. At the same time, it is essential that we do our best to increase the production of all materials that we and our Allies must have to make our war against Japan still more effective.

“Efforts are now being made to effect price readjustments which will make it possible for producers to work to the limit of their capacity, and I am hopeful that the present trend will reverse itself shortly.”

“Production of nineteen major raw materials, valued in CNC <sup>19a</sup> of November, 1944 purchasing power, was reported as follows for the first four months of this year:

January	\$3, 693, 352, 000
February	\$3, 429, 929, 000
March	\$4, 197, 573, 000
April	\$3, 648, 927, 000

“It can be seen from these figures that March production made definite progress being 121 in comparison with 100 last November and 106 January but April production came back to January level because of practical difficulties due to the price fluctuation.”

The Department will observe that Dr. Wong, Chairman of the Chinese WPB has quoted the same figures recently prepared by Mr. A. T. Kearney, head of the Nelson Mission, and that these indicate that whereas production rose substantially in March of this year it declined the following month to the January level, and that Dr. Wong attributes this to “practical difficulties due to the price fluctuation”. Mr. Kearney informs me in confidence that the May figures (not yet available) may show little if any improvement over April.

Respectfully yours,

For the Ambassador :  
ELLIS O. BRIGGS

893.64A/7-1145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, July 11, 1945—7 p. m.

1075. The Department has carefully considered the proposal that Savage's final report on Yangtze Gorge Project be prepared by the Bureau of Reclamation as requested by Minister T. V. Soong in letter to the Ambassador dated January 15, 1945 <sup>20</sup> and reported to the Department by Embtel 115 dated January 26, 1945 and Despatch 104 dated January 29, 1945.<sup>21</sup>

<sup>19a</sup> Chinese National Currency.

<sup>20</sup> Not printed.

<sup>21</sup> Despatch not printed.

1. The proposal to complete the Savage report cannot be dissociated from the question of economic feasibility of the entire project. Power produced could be effectively used only if it were accessible to extensive modern industrial facilities and if trained labor and managerial staff were available. Vast outlays involved could not yield a net revenue for many years and would endanger the financial stability of the Chinese Government by tying up its resources and credit in unproductive facilities. In these circumstances the report could scarcely be of any greater advantage to China at this time than the preliminary reports already prepared.

2. Chinese officials realize that China's own resources would not be sufficient to provide the sums needed for construction of these developments and have indicated that they would expect financial assistance in construction, presumably from this Government. It is the considered opinion of this Department that there is no prospect whatever of obtaining from this Government for many years, if at all, financial assistance requisite for the construction of the project. This should not be construed as an implication that financial assistance for economic development may not be forthcoming for projects of more immediate usefulness in the Chinese economy.

3. China's estimated imperative requirements from abroad in the next few years are so far in excess of her potentially available foreign exchange assets that the expenditure by China at this time of 500,000 or more US dollars for preparation of the report appears to be unwise since effective use of the report cannot be expected for years to come.

4. For these reasons the Department considers that it would not be in China's best interests to undertake the expenditure involved in completion of the Savage report or any further work in planning the project at this time. Nevertheless, the Department considers that the Chinese Government should itself determine the wisdom of now undertaking this expenditure.

5. You are therefore requested together with Walter Robertson, who is familiar with this question, to explain these views of the Department clearly and fully to Chiang Kai-shek and T. V. Soong pointing out to them especially that there is no probability that this Government would be prepared for many years to give financial assistance in the construction of this project and that expenditure on the report at this time appears unwise to this Department. On this basis you are to ascertain definitely and report whether in the circumstances they nevertheless desire to undertake at this time the expense involved in completion of the Savage report.

GREW

123 [Dawson, Owen L.] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 17, 1945—8 a. m.

[Received 9:22 a. m.]

1171. Dawson<sup>22</sup> has been asked by the Minister of Agriculture<sup>23</sup> to accept the title of Honorary Advisor to the Ministry of Agriculture. We are very much gratified by this expression of confidence and good will evidencing the friendly and cooperative relations established by Dawson in his contacts with the Chinese. Dawson would like to accept. He feels that the title would give him added prestige with no more responsibility for developments in China than his present collaboration involves. I have told Dawson that a question of policy was involved and that the matter would be referred to you for final decision. Dawson would appreciate an early reply so as not to keep the Chinese Minister waiting too long for an answer.

HURLEY

893.61A/7-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 19, 1945—9 a. m.

[Received 11:38 a. m.]

1182. At the instance of the Chinese Ministry of Agriculture, the Foreign Office has asked for the appointment as soil conservation specialist of Dr. Walter C. Lowdermilk. Chinese Government offers salary during period of his services in China of U. S. dollars 7500, air travel Washington to Kunming U. S. Dollars 1340, per diem U. S. dollars 7, his traveling expenses in China as well as return trip to the United States to be paid by the Ministry in Chinese currency. The Foreign Office requests that the Department arrange for the appointment. Lowdermilk now understood to be Assistant Chief of the Soil Conservation Service, Department of Agriculture.

As the Department will recall, Lowdermilk was in China in 1943, expenses paid by our Government under the cultural program. The Chinese Government now desires him to continue the work started at that time. As the Department is also aware, Dr. Donald V. Shuhar, another soil conservationist of our Government, has been in China for the past 18 months and is departing for India within a few days. . . .

Generally speaking, I favor payment by China of at least a part of salary and expenses of the American specialists coming this country

<sup>22</sup> Owen L. Dawson, Agricultural Attaché in China.<sup>23</sup> Y. T. Tsur (Chou Yi-chun).

and in this instance the Chinese Government has offered to pay all of the expenses. If, on the other hand, appropriate officials of Agriculture do not believe that in view of Lowdermilk's previous stay and Shuhart's subsequent work in China, there is any necessity for Lowdermilk's return, I believe we should either say so to the Chinese Government or inform them that Lowdermilk is not available.

HURLEY

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893.61A/7-1745 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 7, 1945—5 p. m.

1214. It should be explained to appropriate authorities that since Constitution prohibits persons holding office under the United States from accepting without consent of Congress "any present, emolument, office or title of any kind whatever" from a foreign State, it is regretted that Dawson cannot be permitted to accept title or office of Honorary Advisor, Ministry of Agriculture (Urtel 1171, July 17), but that Department is gratified by this evidence of Agricultural Ministry's regard for Dawson. (See 4 Hackworth's *Digest* 475.)

GREW

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893.64A/8-845 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 8, 1945—1 p. m.

[Received 6:30 p. m.]

1305. Due to the fact that Soong was completely engaged in the consideration of policies relating to Moscow and Potsdam<sup>24</sup> (Deptel 1181, August 2, 5 p. m.<sup>25</sup>) it was impossible to discuss with him the views of the Department regarding the Yangtze Gorge project as outlined in your 1075, July 11, 7 p. m., until July 26. Soong stated he considered the position taken by the Department to be "fair" but, as financial assistance for construction of the dam might be forthcoming from other sources if not from America, he would have to consult with his advisers to determine whether or not it would be desirable to incur the expense of completing the preliminary plans at this time. He then asked that if China should decide she would like to complete the plans, would the Department authorize the Bureau of Reclamation

<sup>24</sup> See pp. 851 ff.

<sup>25</sup> Not printed; it requested reply to Department's telegram No. 1075, July 11, 7 p. m., p. 1431 (893.64A/8-245).

to proceed in accordance with the terms and conditions outlined by the Bureau and already accepted by Dr. Soong. We informed him we did not feel authorized to make the commitment but that the question would be submitted to you in reporting his decision.

We had expected a reply before Soong left for Moscow but he departed without giving it. Dr. Wong Wen-hao, Minister of Economic Affairs, intimated in conversation with Robertson yesterday afternoon that no decision would be reached until Soong's return.

So far as we can determine, enthusiasm for this project, as envisaged by Savage, is largely confined to certain Americans. Such Chinese enthusiasm as has appeared to exist in Government circles has, in our opinion, been generated by the intimations indirectly, if not directly, that the U. S. would furnish the funds. We have discussed this subject with numbers of important Chinese whose judgment we value who have stated frankly they did not consider the project economically feasible for China at this time even though the necessary financial assistance could be obtained from U. S. or elsewhere.

Tsu-yee Pei, one of China's ablest student[s] of economic conditions, expressed to Robertson the same views reported to us by Lockhart,<sup>26</sup> in his memo of June 14.<sup>27</sup> Pei requests that his conversation with us be held in confidence to avoid embarrassment to him here. He is, as you know, financial advisor to Soong.

It is our opinion that we take no steps to accelerate a decision unless you have important reason for our doing so.

HURLEY

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893.64A/8-1045 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 10, 1945—9 p. m.

1236. If China desires incur expenditure on plans after explanation Department's position Deptel 1075 July 11, 7 P. M. Department would authorize Bureau of Reclamation to proceed Emtel 1305 August 8, 1 P. M., first paragraph. Bureau of Reclamation is pressing for definite answer. Early report on decision Chinese officials would be helpful to Department.

BYRNES

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<sup>26</sup> Oliver C. Lockhart, Assistant Chief, Division of Foreign Economic Development.

<sup>27</sup> Not printed.

102.78/8-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 13, 1945—8 a. m.

[Received 9 a. m.]

1338. For Wheeler,<sup>28</sup> Agriculture, from Dawson. Have just had conference with officials in Ministry of Agriculture and one higher official, and it was decided to prepare a formal request for technical collaboration as soon as possible after new Minister of Agriculture and Forestry comes into office, probably in about 2 weeks. Method of presenting it will probably be through our Embassy.

Points suggested so far include :

1. American mission of six or more specialists in following fields.
  - a. General agricultural research; Auchter's<sup>29</sup> name suggested.
  - b. Agricultural economics and planning. These two men considered very important for general advice in initiation program and would be of great service if for only 3 or 4 months.
  - c. Technical fields of tung oil, carpet wool, tea and silk.
  - d. Cotton textile processing and fisheries, if you consider these in line with objectives.
2. Difficult for Chinese Government comply with paragraph 8.<sup>30</sup> Sie<sup>31</sup> and Tsou<sup>32</sup> suggested agreement, therefore assistance needed in equipping and reestablishing the central research station and a few substations specializing on key products.<sup>33</sup>
3. Mission to come as soon as possible owing ability work soon in regions formerly occupied.
4. Amounts stated Sie draft form agreement seem conservative for substantial aid in initiating program. Suggest proportionally more funds be set aside first 2 or 3 years for aid in starting and equipping stations, training key personnel, et cetera.
5. More specialists to follow, and some [Chinese] sent to America for training as suggested after some study of first mission.

In my opinion this program has great possibilities if substantially supported on above lines. [Dawson.]

HURLEY

<sup>28</sup> Leslie A. Wheeler, Director, Office of Foreign Agricultural Relations, Department of Agriculture.

<sup>29</sup> Probably E. C. Auchter, Administrator of Agricultural Research, Department of Agriculture.

<sup>30</sup> Reference to draft agreement of April 25, not printed.

<sup>31</sup> Probably K. S. Sie (Hsieh Chia-sheng), Director, Chinese National Agricultural Research Bureau.

<sup>32</sup> Probably Y. T. Tsou (Chou, Yi-chun), Chinese Minister of Agriculture and Forestry.

<sup>33</sup> This section is badly garbled. A correct reading would seem to be: "Difficult for Chinese Government to compile paragraph 8. Sie and Tsou suggest agreement for assistance needed in equipping and reestablishing the central research station and a few sub-stations specializing on key products."

102.78/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—10 a. m.

[Received 4 p. m.]

1367. For Wheeler, Agriculture, from Dawson. The Embassy did not know until after despatch of Embassy telegram 1338, August 13, 8 a. m., that technical agricultural collaboration between U. S. and China had progressed beyond [to] the stage that it was considered advisable to send a mission of specialists from the U. S. to make survey and recommendation. We now find that a plan for collaboration involving expenditure by the U. S. Government of \$5,000,000 plus over the next 10 years has been the subject of discussion over a period of several months between Chinese representatives in Washington and Department of Agriculture, and between Dawson and Chinese officials here. Correspondence between Dawson and Wheeler on this subject has been on the basis of personal letters and, therefore, had not come to the attention of Embassy officials (Department of Agriculture can furnish you with plan formally agreed upon in the discussions referred to and which will soon be submitted for official approval).

We fully concur that agricultural improvement is a basic consideration in any plan for the economic development of China but we assume that a program of this size will be considered only in relation to the total over-all U. S. economic assistance to China for which no plan has yet been made. [Dawson.]

HURLEY

102.78/8-1645 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 29, 1945—8 p. m.

1359. No long term plan nor any plan involving \$5,000,000 Urtel 1367 August 16 has been agreed upon in Washington formally or informally. Dept approves principle that plan of this size be considered in relation to total economic assistance but for such purpose agricultural survey beforehand seems advisable as described Urtel 1338 August 13. If formal request were received from Chinese Government Dept would be prepared to consider payment of salaries, per diem and transportation expenses to and from China of not more than eight American specialists in agriculture to proceed to China during present fiscal year to conduct survey and recommend a long term program of agricultural development. Dept would expect Chi-

nese Government to supply services of Chinese collaborators and meet all expenses arising from any travel the combined mission and Chinese Government might find necessary in making survey. While it is possible that recommendations made by the joint mission might include participation by American Government in a long term program through supply of personnel and funds Dept's participation in survey would imply no commitment in regard to such recommendations. Participation in survey likewise will depend upon availability of funds at time request is received from Chinese Government. Please instruct Dawson to keep Embassy fully informed of his conversations with Chinese officials. Discussions should keep in mind possible interruption to survey caused by removal of Government back to East China.

BYRNES

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893.64A/8-3045 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 30, 1945—6 p. m.

1366. The Department has had an opportunity to discuss with Dr. T. V. Soong the questions submitted to you in Deptel 1075, July 11, 1945, 7 p. m. On the basis of Dr. Soong's statements the Department is advising the Department of Interior that it is prepared to approve the proposed agreement with the National Resources Commission for completion of technical studies and reports on the Yangtze Gorge and tributary projects.

BYRNES

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893.61/9-1345

*Memorandum by the Agricultural Attaché in China (Dawson)*<sup>34</sup>

CHUNGKING, September 13, 1945.

MEMORANDUM FOR STATE AND AGRICULTURE

I am informed by the new Minister of Agriculture, Dr. Y. T. Tsur, that he has prepared a Proposal for Technical Collaboration in Agriculture between the United States and China.

It will take some days for it to come through the regular channels to the Embassy for transmittal to the State Department. The Minister has therefore let me see a draft of this proposal in the event that I had to be away when the formal document came through.

It contains a request for specialists to tea, silk, rough wool, tung oil fisheries and soy bean processing (especially for better utilization for

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<sup>34</sup> Date of receipt not indicated.



food purposes). These specialists are asked for three years. In addition, they ask for two men of high standing for general advice on planning—one on general agricultural research and one more specialized in agricultural economics and program planning. The latter two are asked for a period of four to six months.

These specialists are asked to come to Nanking some time between November and February. They will be furnished with collaborators and all facilities possible, including housing for themselves, and their families if necessary. Travel facilities and expenses will be furnished by the Ministry.

The proposal seems to cover the reservations regarding commitments by the United States outlined in the Department's cable.<sup>35</sup>

No doubt the Departments of State and Agriculture have already given some thought to the type of specialists which would be most useful in some of the fields mentioned. I wish to present a few comments as of possible aid in this connection based upon talks with Dr. T. H. Shen and others:

In general the six technical specialists should know thoroughly the market requirements, research technique and problems of processing products in their field. The latter two are more for advising on the long-term programs of development relating to the broader phases of production and marketing programs, integration of agricultural research, extension and education.

The tung oil specialist needs to advise on problems related to harvesting, storage and pressing and if possible tung tree improvement.

As regards tea I think Mr. E. Vere Powers can give you some good advice as to the type of specialist most needed. He would be a good candidate for the mission himself if he is available. I am sending a copy of a program for China <sup>36</sup> he gave me some time ago.

For silk, improved processing and standardizing is needed. A pathologist is also needed for silk worm breeding but I believe Dr. Shen figures the former is of less immediate importance. The specialist on silk at the Tariff Commission could make some recommendations as to a candidate on the processing and standardizing phases.

For wool, problems of production and standardization are of most importance. In connection with the former I had a long talk with C. C. Chang, Commissioner of Reconstruction in Kansu Province. He pointed out the importance of the following in wool improvement in order of emphasis:

1. Increasing the amount of feed.
2. Improving quality.
3. Disease prevention.
4. Improvement of breeds.

<sup>35</sup> No. 1359, August 29, 8 p. m., p. 1437.

<sup>36</sup> Not found in Department files.

He thinks there is a great potential demand for wool in China itself besides export demand. He does not believe standardizing wool for market needs so much emphasis as the production phases. Spring losses to sheep and other livestock in the North West are tremendous and to a large degree are attributed to nutritional deficiencies. Dr. Ralph Phillips who gave particular mention to the subject of wool improvement in China in his report can furnish some excellent advice on this subject. I hope to have some discussions with Moyer<sup>37</sup> on this topic in the near future.

The need for a specialist on marine fishing as well as some advice on fresh water fishing has been emphasized by several people. Among the trainees on the UNRRA<sup>38</sup> program there was a fisheries expert, Dr. Wang, who has since returned to China. He was given some opportunity for studying fisheries technique in the States. I believe UNRRA is giving consideration to sending Mr. Fred Misness, an American fisheries expert, to China to advise on the rehabilitation program. If so, he should be consulted, or someone else in Washington familiar with their program, so that the two requests are coordinated.

I think it should not be difficult to find a specialist on soy bean processing, especially for improving their utilization for food purposes. The Japanese had some rather extensive work going on in Dairen and no doubt their laboratories and plants are still intact which would be very favorable factor in developing a program in this field.

Regarding the specialists for over-all advice on the broad program, for one, I wonder if Dr. Erie Englund could be spared. His experience in various fields of agricultural economics would be most helpful at this stage of China's planning. In addition, he could help us decide on the ground what is best for expanding the work of O.F.A.R.<sup>39</sup> in the China area in the post-war period.

I am informed that the Ministry of Agriculture and Forestry has started working on a program to implement the statements of their "General Principles of Agricultural Policy" passed by the Sixth National Congress of Kuomintang Delegates last May. We now have in the process of translation a paper on "China's Potential Agricultural Resources". These and numerous other data can be assembled for study by the Mission upon their arrival.

In my opinion conditions would be better for survey work after the first of the year. The Ministry of Agriculture and Forestry

<sup>37</sup> Raymond T. Moyer, Office of Foreign Agricultural Relations, Department of Agriculture.

<sup>38</sup> United Nations Relief and Rehabilitation Administration.

<sup>39</sup> Office of Foreign Agricultural Relations, Department of Agriculture.

would also be better set up at Nanking to receive the various specialists. Most of the Mission at least could well spend a month or two in the Nanking-Shanghai area and neighboring provinces, studying materials, conferring with agricultural specialists, industrialists and others. Some of the specialists might feel the need of going to more distant areas soon after arrival where travel conditions might be difficult until after February one.

As I have indicated before where laboratory facilities or testing devices are extensively required in a program of agricultural development some difficulties may be encountered in the immediate post-war period. That is a problem not now clear in view of the over-all problems of rehabilitation and reconstruction but the Ministry of Agriculture is working hard on the matter.

OWEN L. DAWSON

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893.60/9-2145 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 21, 1945—[?] p. m.

1519. On basis instructions issued by the President <sup>40</sup> and arrangements approved by Bureau of Budget, Embassy and Consular offices in China now existing or to be established are requested to extend all possible assistance to the American Production Mission in China in carrying out its function of aiding the Chinese Government in the reconversion of war industries to peacetime production. Such assistance will consist in obtaining office space and living quarters for the Mission, employment of local personnel, provision of office supplies and equipment, payment of travel vouchers, and other administrative services that may be requested by James A. Jacobson, Deputy to Edwin A. Locke, Personal Representative of the President in charge of Mission, or by any member of the Mission designated by Jacobson.

Detailed accounting instructions concerning payments on behalf of Mission will be forwarded soon.

Please inform Consulates under your jurisdiction.

ACHESON

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893.64A/10-445

*The Assistant Secretary of the Interior (Straus) to the Secretary of State*

WASHINGTON, October 4, 1945.

SIR: On April 25, 1945, Secretary Ickes submitted to you for your consideration and approval a draft of an agreement <sup>41</sup> between the

<sup>40</sup> See White House press release of September 29, Department of State *Bulletin*, September 30, 1945, p. 497.

<sup>41</sup> Not printed.

United States and the National Resources Commission of China, providing for the preparation of detailed engineering reports on the development of the Yangtze River and its tributaries, to be carried on by the Bureau of Reclamation.

After a number of conferences and communications, the Department of State, both here and in China, found opportunity to discuss all questions involved with the Chinese Government, representatives of this Department, and other officials. On August 30, 1945, Mr. Willard L. Thorp, Deputy to the Assistant Secretary of State in charge of Economic Affairs, formally informed this Department<sup>42</sup> that the Department of State is now prepared to approve an appropriate agreement, similar to the draft already before it, between the Bureau of Reclamation and the National Resources Commission of China for the preparation of the proposed report on the Yangtze Basin, the work to be done by and under the supervision of the Bureau but at the expense of China.

Accordingly, I am submitting for your approval an executed agreement, in quadruplicate, for the preparation of the Yangtze Basin reports between the United States and the National Resources Commission of China.<sup>43</sup> It will be observed that, as to any subject matter involving international policy, this draft not only is similar to the draft heretofore submitted but is identical thereto and would, therefore, appear to be in exact accord with the previously expressed desires and approvals of the Department of State.

The form of the agreement is also in accord with the general practice in making contracts to be performed by Bureau personnel. It provides for study and report on the development of the entire Yangtze River Basin which will permit the construction of the various units in such order and over such periods of time as may be compatible with the industrial and agricultural development of China.

You will note that the agreement has been executed by the Commissioner of the Bureau of Reclamation and by the representative of the National Resources Commission and approved by this Department. If the form of the agreement is satisfactory, please indicate your approval by signing the attached original and copies. The original and two copies should be returned to this Department for further handling. The extra copy is enclosed for your records.

Very truly yours,

MICHAEL W. STRAUS

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<sup>42</sup> Not printed; the Assistant Secretary of State (Clayton) attested the agreement of October 1. In a letter dated July 7, 1947, the Assistant Secretary of the Interior (Warne) advised the Secretary of State that the Chinese had requested temporary suspension of the agreement and enclosed an interim memorandum of understanding with the Chinese to this effect. In his response of July 9, the Assistant Secretary of State (Thorp) indicated that the Department had no objection to the suspension of the program and attested the memorandum. (893.6463/7-947)

<sup>43</sup> Not printed.

893.61A/10-1345: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 13, 1945—8 a. m.

[Received 2: 12 p. m.]

1789. Part 1. Embassy is in receipt of note from the Ministry of Foreign Affairs under date of October 3 stating that a member of the Ministry of Agriculture had called and informed the Foreign Office that a letter had been received from Dr. Walter C. Lowdermilk expressing the hope of coming to China at an early date and referring again to the fact that the Chinese Government would bear all expenses. Foreign Office requests that we communicate the above to the Department of State.

It should be noted that Embassy has previously received three notes from Ministry of Foreign Affairs with reference to Dr. Lowdermilk's assignment to China (December 26, 1944, June 2 and June 27, 1945<sup>44</sup>). All were written on behalf of the Ministry of Agriculture and Forestry requesting that Lowdermilk be assigned to China to continue his work and the last two specified that all expenses in connection therewith would be borne by Chinese Government.

Part 2. Apparently this proposed assignment is viewed with some misgiving by other American agriculturists in China (see Embtel 1182, July 19). Dawson has further discussed subject with Moyer and concurs fully in the views of OFAR as reported by Moyer. He requests that you refer to his memorandum of September 29<sup>45</sup> on work of agricultural specialists under cultural relations program. While some agriculturalists in Kansu and Shensi believe Lowdermilk started helpful work in soil conservation in those provinces, Dawson believes that any important expansion in that line needs careful consideration in connection with the whole program of agricultural improvement and that the projected mission on agricultural collaboration would probably wish to review soil conservation problems in relation to many [any] long-time agricultural program of China and possibly make certain recommendations in that connection which might differ from Lowdermilk's. He suggests that if Lowdermilk's trip is approved the Department might desire to ask him to outline specifically the scope of the project. He also suggests OFAR consider discussion of this subject with Lowdermilk.

ROBERTSON

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<sup>44</sup> It does not appear from the records that the Embassy ever forwarded the three notes of the Ministry to the Department.

<sup>45</sup> Not found in Department files.

893.61A/10-2345 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 23, 1945—8 a. m.

[Received October 23—3: 52 a. m.]

1846. Dawson was informed by Minister of Agriculture before latter's departure to Shanghai Sunday that request for collaboration agreement mentioned in Dawson's memorandum to the Dept on this subject dated Sept 13 is now in hands of the China Foreign Office.

The Minister mentioned a few changes in the draft as follows: An Extension Specialist is requested in addition to the others mentioned and the time of arrival changed from "January to April". The Minister's informal opinion is that March 1st would be a suitable date. It is not known yet, however, when the Ministry will move and not very practicable for mission to come to Chungking. Will report as soon as the request for collaboration agreement reaches Embassy with pertinent comments. Dawson's return to Shanghai has been delayed awaiting the Embassy's formal receipt of this document which is now expected this week.

ROBERTSON

893.61A/10-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, October 31, 1945—10 a. m.

[Received November 2—2: 56 p. m.]

1893. Note from the Foreign Office has been received by the Embassy containing a petition from the Minister of Agriculture and Forestry for the proposal of technical collaboration in Agriculture and Forestry between China and the U. S.

Reourtel 1846, October 22 [23].

The petition does not contain the request for an Extension Specialist as the Minister probably informed Mr. Dawson just before he left for Shanghai. Dawson assumes omission was due to oversight. He will discuss with Minister who is now in Shanghai and advise. Some further comments on the type of specialists within the fields mentioned are covered in another memorandum being transmitted today.<sup>46</sup>

ROBERTSON

893.64A/10-1745

*The Assistant Secretary of State (Clayton) to the Assistant Secretary of the Interior (Straus)*

WASHINGTON, November 5, 1945.

MY DEAR MR. STRAUS: I acknowledge receipt of your letter of the fourth ultimo enclosing an agreement in quadruplicate for the prep-

<sup>46</sup> Dated October 30, not printed.

aration of a report on the Yangtze Basin, between the United States and the National Resources Commission of China.

As advised you over the telephone, the Department of State has no objection to offer to this agreement but deems its formal approval of the same unnecessary. However, I have attested the four copies of this contract and return them to you herewith.

Sincerely yours,

W. L. CLAYTON

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811.42793/11-1545

*The Secretary of State to the Chargé in China (Robertson)*

No. 366

WASHINGTON, November 15, 1945.

The Secretary of State encloses for the information of the Officer in Charge a copy<sup>47</sup> of a tentative plan for the establishment of a cultural center in Shanghai.

This type of cultural activity has met with the greatest success in the other American republics, and it is believed that the services of such an organization in China might meet with equal success, particularly as a service center during the reconstruction period. Shanghai is suggested as a logical site for the first such cultural center because it is likewise a center of transportation and population, because there are many educational institutions in the area, and because it is presumed that the National Library of Peiping will be a repository for reference and research material for the Peiping area, obviating the necessity for the library of the proposed center.

The Department recognizes that no action is probable until January 1946, at least, but a presentation of this plan now may enable the Department's officers in China to formulate suggestions and collect data which may contribute to the success of such a center when established. It may be desirable to think of possibilities for an adequate and central location in Shanghai. As another preparatory measure, the Department requests that the Embassy obtain two copies of each title given in the listing of translated books which accompanied the Embassy's excellent despatch number 798 of October 17, 1945,<sup>47</sup> and hold these books for inclusion in the center library.

The accompanying plan has been prepared in consultation with the officers in charge of the Department's centers in the other American republics and with the Director of the China Institute in America, a somewhat analogous organization. The plan was prepared by an officer of the China Section of the Division of Cultural Cooperation, who, at his own expense, visited such centers in Guatemala and

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<sup>47</sup> Not printed.

Nicaragua to obtain information which might be valuable for application in China.

Should no objection to the plan in principle be perceived in the Embassy or other interested quarter, the Department will continue to purchase books and other materials for the center. It is the Department's intention, in the case of materials secured from time to time, to send them to Shanghai as received, either for storage, or for use in the American reading room which, it is understood, has now been established in that city. Library of Congress cards will be obtained for each book purchased.

The Department will appreciate receiving at an early date, preferably by telegraph, the Embassy's comments on the plan for the cultural center.

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102.78/11-1545: Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, November 15, 1945.

[Received November 17—6:05 a. m.]

213. For Agriculture from Dawson.

"Reference recent radio from Embassy Chungking submitting Chinese Government's request for mission specialists for development of an agricultural program of collaboration, I have had brief conference Dr. Tsur in Shanghai: He informs me an extension specialist is desired if Department would consider it in addition to the other eight specialists which have formally been requested. It was only omitted finally for fear of going beyond limit suggested State Department message to the Embassy outlining Department's reservations on size and functions of a mission.<sup>48</sup>

Reference by memo of September 13th, page 2, paragraph 7.<sup>48a</sup> The Chinese Government is showing a growing interest in developing their fishing industry. I have discussed matter further with Minister Tsur here and taken advantage of Mr. Sturgeon's<sup>49</sup> presence to confer with members of the industry and Ministry of Agriculture here. Suggest that a specialist, perhaps from the industry, who knows general problems of fisheries including production fishery operation, conservation and reprocessing be selected for the first mission. UNRRA informs me Misness<sup>50</sup> assignment delayed, no fisheries specialist is therefore now in sight.

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<sup>48</sup> Reference is to Department's telegram No. 1359, August 29, 8 p. m., p. 1437.

<sup>48a</sup> See paragraph beginning "The need for a specialist on marine fishing."

<sup>49</sup> Leo D. Sturgeon, Secretary in the Diplomatic Service and Consul General, detailed to Shanghai.

<sup>50</sup> Fred Misness.



Relative to housing for the mission to the capital, it would be helpful to know requirements as soon as possible in order for the Minister to reserve suitable quarters at the time he arranges for Ministry general requirements.

Please keep me advised on progress of this matter.”

Sent to Department; repeated to Chungking.

JOSSLYN

893.61A/10-1345 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 26, 1945—5 p. m.

1897. Dept duly transmitted to Lowdermilk the offer of employment made to him (Urtel 1789 Oct 13 and previous) by Ministry of Agriculture and has received a letter from him<sup>51</sup> asking that appropriate Chinese officials be informed that he cannot accept the appointment although he appreciates the honor and is willing to continue participation in collaboration between Department of Agriculture and Ministry of Agriculture and Forestry. He believes that proposed arrangement should be considered in connection with overall collaboration between the two governments. Dept has therefore referred to Agriculture<sup>52</sup> the proposal made by Chinese to Lowdermilk for consideration in connection with overall plan for agricultural cooperation.

BYRNES

893.61A/12-1145 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 11, 1945.

[Received December 11—11:01 p. m.]

354. Informed 40 members Ministry of Agriculture including Minister and/or Vice Minister moving Nanking few days.

Therefore important know Department's views re proposal for agricultural collaboration as soon as possible in order make plans for mission's accommodation at Nanking or elsewhere.

Early advice from Department would be helpful. Sent to Department. Repeated to Chungking.

JOSSLYN

<sup>51</sup> Of October 11.

<sup>52</sup> Letter dated November 26, not printed.

893.61A/12-1145: Telegram

*The Acting Secretary of State to the Consul General at Shanghai*  
(*Josselyn*)<sup>53</sup>

WASHINGTON, December 21, 1945.

330. ConGenstel 354, Dec. 11. Final plans for agricultural collaboration not yet possible since text of Chinese Government request not received in Washington. Dept views unchanged from Deptel 1359, Aug 29 to Chungking. Present conversations Agriculture envisage sending commission of eight to leave Washington approximately Mar 15, 1946, including six from lists A B and C in Embstel 1338, August 13 plus an extension specialist and a secretary. Impossible to include specialists in soybean and cotton processing. Sending commission in fiscal 1946 appears useful in its own right but much more so as introduction to continuing program which is now conditional on favorable action by Congress. If program approved and budget appropriated some members of 1946 commission might remain in China for extended terms. Plans that can now be made for commission however would terminate Aug 31, 1946.

Embassy's consideration and recommendations requested on this outline. Also request confirmation estimate of desirable date arrival commission in China. Agriculture desires confirmation of adequacy of arrangements to be made by Chinese Government for collaboration including housing, staffing and travel in China for which Dept expects Chinese government assume responsibility. Agriculture suggests headquarters housing of mission provide for eight unaccompanied males at or near one place. Agriculture requests arrangements if possible for availability to mission of commissary and medical services of American armed forces.

ACHESON

893.61A/12-2945: Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, December 29, 1945—5 p. m.  
[Received January 3, 1946—8:43 p. m.]

From Dawson to Agriculture. "Reference is made to the Department's unnumbered [*No. 330*] Dec. 21. In view of Deptel 319, Dec. 19<sup>54</sup> regarding suspension of conversations with Chinese Government on subjects of assistance paragraph 4, does Embassy advise that I go ahead and discuss the points mentioned regarding adequacy of ar-

<sup>53</sup> Repeated as No. 2072, December 28, to the Chargé in China.

<sup>54</sup> See telegram No. 2022, December 19, 7 p. m., p. 1376.

rangements for collaboration, including housing and travel, etc., as indicated important for early concentration in Contel 354, Dec. 11 and 213, Nov. 15.

(Shanghai Serial No. to Chungking 118, Dec. 29 repeated to Dept.<sup>55</sup>) Please also check Embassy's despatch of Chinese Govt's request on the subject of a collaboration agreement on agriculture sent to the Department on October 28<sup>56</sup> mentioned sentence 1 unnumbered [*No. 330*] Dec. 21 on Agricultural Mission to China as having not been received.

The essentials to this proposal by the Chinese Government were covered in Embassy's despatch of September 13<sup>57</sup> based on informal copy received from Minister of Agriculture."

[JOSSELYN]

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<sup>55</sup> Not printed.

<sup>56</sup> Despatch No. 830, October 30, not printed.

<sup>57</sup> See memorandum of September 13, p. 1438.

DISSATISFACTION OF THE UNITED STATES WITH RESULTS OF FIRST TRIAL BY CHINESE COURT OF AN AMERICAN CITIZEN

393.1121 McMillan, Archibald/12-2044 : Telegram

*The Appointed Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, December 20, 1944—2 a. m. [*p. m.*]

[Received 5:25 p. m.]

2043. Archibald McMillan, American driver for Friends Ambulance Unit, was found guilty of unintentional homicide by negligence in course of occupation following trial on December 8, in Experimental District Court of Chungking attended by officer of Embassy. McMillan sentenced to 4 months' imprisonment which was suspended for 3 years during good behavior. Prosecution result of automobile accident occurring near Chungking on March 7, 1944 in which woman aged 57 received injuries resulting in death.

Facts appear to be as follows: (1) McMillan was driving FAU<sup>1</sup> charcoal-burning truck up hill in second gear at approximately 6 miles per hour when overtaken by rapidly moving unidentified vehicle (assumably Chinese army truck) which, without warning, forced McMillan to extreme left side of road by cutting in closely ahead of McMillan before clearing his truck; (2) McMillan had no time to sound horn which was unnecessary because of loud engine noise; (3) although truck cleared three pedestrians walking along left side of road, it assumably struck large bundle of sugar cane being carried by deceased which projected into roadway; (4) deceased was in turn thrown to ground receiving multiple injuries; (5) deceased was taken by McMillan to nearby first aid station [which] refused to treat her and she died some 5 hours later.

Case for prosecution was presented by procurator without any witnesses for prosecution and apparently rested on two premises: (1) Defendant did not sound horn and (2) truck struck body of deceased. Point 1 was satisfactorily explained by defendant and 2 was refuted by medical testimony describing position and character of injuries.

<sup>1</sup> Friends Ambulance Unit.

Defendant was not permitted to use excellent interpreter he provided but required to use court interpreter. Resulting translations so faulty and misleading that defendant elected to testify in Chinese which he speaks fluently. Impression on court apparently favorable.

Fact that McMillan paid burial expenses, settled solatium on family of deceased and received written discharge of liability not introduced at trial. Charges not brought up by family but by procurator at own instigation. Judge Helmick<sup>2</sup> states that "no district attorney in the United States would have prosecuted such a case because of complete lack of evidence of wilful or reckless negligence such as is necessary to support charge of manslaughter under our laws."

Although there is no appearance of any anti-foreign bias in the courts, Embassy considers it most unfortunate that verdict should be so glaringly unjust in first trial of American citizen in Chinese court since abolition of extraterritoriality,<sup>3</sup> particularly in view of preponderant evidence in favor of defendant, lack of witnesses for prosecution and expressed opinion of both foreigners and Chinese attending trial that McMillan would be exonerated. Full text of Judge's decision not yet available, but brief press announcement indicates that Judge may have confused the facts. Case exemplifies shortcomings of Chinese judicial system which puts burden on defendant to establish innocence and does not facilitate development of facts. Result also indicative of what Americans may expect in future when larger issues at stake.

McMillan has elected to enter an appeal to the high court which will necessitate a complete re-trial.

I have expressed orally to the Foreign Minister<sup>4</sup> our surprise and disappointment over the conduct of this case and the verdict.

Despatch follows.<sup>5</sup>

HURLEY

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393.1121 McMillan, Archibald/12-2844 : Telegram

*The Secretary of State to the Appointed Ambassador in China*  
(Hurley)

WASHINGTON, December 28, 1944—9 p. m.

1712. 1. Your action in connection with McMillan case approved.  
(ReEmbs 2043, December 20, 2 a. m. [*p. m.*])

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<sup>2</sup> Milton J. Helmick, formerly judge of U. S. Court for China, on temporary mission to Chungking.

<sup>3</sup> See *Foreign Relations*, 1943, China, pp. 690 ff.

<sup>4</sup> T. V. Soong.

<sup>5</sup> Despatch No. 34, December 26, 1944, not printed.

2. Upon receipt of full text of judge's decision Department desires that you make formal written complaint to the Minister for Foreign Affairs against both the inefficiency evident in procedural matters (poor interpreting, lack of witnesses, etc.) and the unjustness of the verdict. It is also desired that you emphasize the Department's serious concern over the administration of justice in this case, the first involving an American citizen since the abolition of extraterritorial rights. Please point out that this Government relinquished its extraterritorial rights in the confident expectation that cases involving American citizens will be handled efficiently, expeditiously and justly and also that the administration of justice by Chinese courts is bound to have a very important bearing on future relations between the United States and China.

3. Department would be interested in receiving full information concerning experimental court mentioned in paragraph 1 of reference telegram.

STETTINIUS

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393.1121 McMillan, Archibald/1-1545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 15, 1945—9 a. m.

[Received 2:48 p. m.]

60. Experimental District Court of Chungking (Department's 1712, December 28, paragraph 3) was established July 1, 1944, replacing Chungking District Court and is now sole Court of First Instance in Chungking District. Court operates under regulations promulgated by Supreme National Defense Council on April 28, 1942 providing for establishment of one or two Experimental Courts of First Instance near capital to function under Ministry of Justice (organ of Executive Yuan) and experiment with simplified procedure. First Experimental Court established at Pishan, Szechuan, in 1942; Chungking Court is second. Both courts have succeeded in modifying somewhat the cumbersome body of Chinese procedural law but have taken no liberties with substantive law and rights of litigants have in no way been affected. Simplified procedure adopted has reportedly reduced time required for cases from 6 months to 3 months in some instances. Although idea of establishing experimental courts originated with Ministry of Justice and was approved by Supreme National Defense Council—highest organ of wartime government—Legislative Yuan has never given full approval and is assumably averse to modifying procedural law. Jurisdiction of court however which derives from Executive Yuan and Supreme National Defense Council is unquestioned.

HURLEY

393.1121 McMillan, Archibald/1-1745

*The Ambassador in China (Hurley) to the Secretary of State*

No. 86

CHUNGKING, January 17, 1945.

[Received January 31.]

SIR: Referring to the Department's telegram no. 1712, December 28, 1944, instructing the Embassy to make formal, written complaint to the Minister of Foreign Affairs against both the procedure and verdict in the trial for manslaughter of Mr. Archibald M. McMillan, an American citizen, I have the honor to enclose<sup>6</sup> copies in both English and Chinese of the Embassy's formal note to the Foreign Office on this subject dated January 5, 1945.

There is also enclosed a copy of a letter dated December 31, 1944, from Mr. McMillan to the Appellate Court of Chungking in which he amplifies his reasons for appealing to the decision of the Experimental District Court of Chungking (Embassy's telegram no. 60, January 15, 9 a. m.).

*Summary of Letter.* Mr. McMillan points out the confusing statements in the judge's decision and the apparent failure of the judge to visualize the true circumstances of the accident. He states that the accident was caused in the first instance by the unidentified driver of the Chinese army truck whom he accuses of criminally negligent driving in trying to force McMillan off the road; he urges the court to apprehend and examine the unidentified driver or state that the crime was committed by a "person unknown" instead of making McMillan the "scapegoat". The deceased might still have escaped injury even after the criminal negligence of the unknown driver, McMillan claims, if she had not suddenly shifted her bundle of sugar cane so that it projected perpendicularly into the road. McMillan urges that the doctors at both hospitals to which the deceased was taken be summoned to court for examination of their occupational competence in their care of the patient. McMillan states that he desires to give a higher court the opportunity through his appeal to rectify the original verdict "arrived at perhaps through misunderstanding due partly to our failure to make our points and case sufficiently clear". He also requests the court's permission to use an interpreter of his own choice.

*End of Summary.*

As previously stated to the Department, it has been reported in the press that McMillan's appeal will be heard in the First Branch of the High Court on January 23. An Embassy representative plans to be present at that time and future developments in this case will be fully reported to the Department.

Respectfully yours,

For the Ambassador:  
GEORGE ATCHESON, JR.  
*Counselor of Embassy*

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<sup>6</sup> Enclosures not printed.

393.1121 McMillan, Archibald/1-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, January 31, 1945—2 p. m.

[Received January 31—1 p. m.]

135. Press reported on 30th that McMillan's appeal (Embassy's despatch No. 86, January 17, 1945) was "rejected on grounds of lack of evidence" in decision of First Branch Court of Szechuan. Text of decision not yet available but defense attorney confirms that decision of Experimental District Court sentencing McMillan to 4 months' imprisonment (sentence suspended for 3 years) was sustained.

Hearing of appeal was held on January 24 and was attended by officer of Embassy. Although court again refused McMillan permission to use own interpreter, court interpreter quite competent and exact and McMillan's interpreter was allowed to give corrections and supplementary translations where needed. Three additional witnesses introduced for defense—two eye witnesses, one Chinese and one American—all of whom corroborated McMillan's own testimony that truck traveling slowly, that McMillan forced to extreme left side of road by military truck that passed at excessive speed and cut in without warning or reason and that McMillan's truck could not have "struck", "run over", or "crushed" victim.

Defendant introduced wooden models of section of road: Both trucks, stone wall and pedestrians which he used to demonstrate to the three judges extra circumstances of accident in order to avoid previous apparent misunderstanding. Witnesses also requested to arrange models in accordance with their recollections of accident which conformed exactly with defendant's testimony.

Doctor who gave deceased superficial medical attention at first aid station but refused her entrance as patient because of orders also appeared as witness for defense. He states that victim was suffering mainly from shock and that fractures only slight; that truck may have hit deceased but certainly did not run over or "crush" her.

Prosecution did not introduce single shred of evidence and procurator in statement appeared to side with defendant. After stating McMillan was Allied friend who had voluntarily come to China to help with war, he presented following four points for consideration of court: (1) whether death was caused by truck striking body of deceased or by her fall; (2) whether McMillan's act of swerving to left was to avoid collision and that, if so, it cannot be considered a crime as it was only recourse to avoid an accident; (3) whether McMillan's occupation is that of "religious journalist", as claimed, or "truck driver"; as defendant obviously a religious journalist and now voluntarily and temporarily serving with FAU as truck driver, he



cannot be accused of "negligence in course of his occupation" and only article of "ordinary negligence" can be applied; (4) whether deceased was to blame or contributed to accident, that is, defendant is not responsible if death was caused by victim's negligence; the noise made by the truck was loud, victim's daughter was uninjured, and space between truck and wall was sufficient to permit passing of pedestrians; it is frequently true in Chungking that pedestrians pay no attention to horns, but noise of truck was louder than horn; therefore victim was partially to blame and question one of contributory negligence.

McMillan in final statement thanked court for judge's consideration and for vastly improved quality of interpreting. He stated that as he had never received any money for truck driving, it could not be considered as his profession. McMillan also declared that he did not want any special consideration given his case simply because he was working with FAU to help China; he stated that he only desired a fair, just trial in which the facts themselves would govern and that he was confident he would receive it.

Following conclusion of hearing, court adjourned to hear noise of typical FAU charcoal-burning truck without muffler and all judges appeared convinced that sound of a motor horn would be inaudible. Defense attorney also presented court with a pig's head which had previously been run over by rear wheels of truck as evidence of "crushing" propensities of truck on bone.

FAU defenders, attorney and others who attended trial uniformly expressed astonishment at the verdict of high court as conduct of hearing, attitude of judges, absence of any semblance of a case for the prosecution and sympathetic defense of procurator had led to foregone conclusion of all concerned that decision of lower court would be reversed and defendant adjudged innocent.

McMillan now planning appeal to Superior Court which could not necessitate re-hearing but solely review of testimony and evidence previously presented and application of law.

Embassy has as yet received no reply to its note of January 5 to the Ministry of Foreign Affairs<sup>7</sup> complaining about the procedural conduct and verdict of McMillan's first trial.<sup>8</sup>

HURLEY

<sup>7</sup> Not printed.

<sup>8</sup> The records of the Embassy in China located in the National Archives (804.1 McMillan) indicate the receipt of a note by the Embassy from the Chinese Foreign Office, dated February 22, embodying a communication from the Chinese Ministry of Justice quoting a despatch from the Experimental District Court of Chungking. The Court undertook to refute the charges set forth in the American note of January 5. The Ministry added that it had given due attention constantly to cases involving foreign nationals and had urged various grades of courts to handle such cases expeditiously and justly, not only those involving Americans but those involving nationals of all other countries as well, and that the American Government had no cause for solicitude and apprehension.

393.1121 McMillan, Archibald/8-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 30, 1945—10 a. m.

[Received August 31—11:17 a. m.]

1469. McMillan informed Embassy today that some time ago Supreme Court rules [*ruled*] that previous decisions in his case were incorrect and sent case back to Szechuan high court for retrial. Case was retried in high court here August 22 and court's decision was announced August 28, [it] reversed previous decisions and rendered verdict of not guilty.

New part of developments and copy of high court's decision will be forwarded air mail.<sup>9</sup>

HURLEY

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<sup>9</sup> Not found in Department files.

## REOPENING OF AMERICAN CONSULAR POSTS IN LIBERATED CHINA AND REQUESTS RESPECTING RADIO COMMUNICATIONS

893.00/8-1345 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 13, 1945—9 p. m.

[Received August 13—1 : 27 p. m.]

1347. It would assist us in planning orderly transition to postwar operations to receive as soon as possible the Department's views regarding representation by the Embassy on general headquarters, USFCT<sup>1</sup> when it is moved from Chungking, and regarding reopening and staffing Consulates in China.

Under the plan now under consideration between General Wedemeyer<sup>2</sup> and President Chiang Kai-shek<sup>3</sup> (an outline of which I recommend the Department obtain from the General Staff) American general headquarters will be transferred shortly to Shanghai and it is hoped to complete occupation by forces of the National Government of China within 30 days of surrender of key cities between Canton and Shanghai as well as of Nanking.

Pending receipt of the Department's views in the matter I would suggest that two responsible officers be detailed to Shanghai at the time headquarters is transferred, to act as liaison and political advisers to the Commanding General, USF, and that as soon as his transportation can be arranged a third Foreign Service Officer be detailed to inspect in order of importance or accessibility Foreign Service premises previously occupied. Such an officer would thereafter return to Chungking for discussion and telegraphic report to the Department.

(Our relations with the American military establishment here are not only cordial but intimate and we are cooperating in every detail. In fact we are asked for our suggestions on every major decision. Cables to the State Department and the War Department will indicate that our Embassy in Chungking and United States Army Headquarters in this area are in complete accord.)

<sup>1</sup> U. S. Forces in China Theater.

<sup>2</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in China Theater and Chief of Staff, China Theater.

<sup>3</sup> President of the National Government of the Republic of China and Supreme Allied Commander in the China Theater.

The Generalissimo indicated to me last night that notwithstanding pressure to move the capital to Peiping that city is associated in the minds of many of the Chinese people with autocratic and reactionary rule. On the other hand Nanking is associated with the people's revolution and the people's government to which the Generalissimo is dedicated. He has therefore decided to establish the capital at Nanking, and this decision may obviously have an important bearing on the development of our plans.

New subject: We are receiving many inquiries in regard to assistance to be rendered civilian internees now in Shanghai and Weihsien. We are replying that general provisions covering delivery of civilian internees are contained in the reply to the Japanese surrender offer and that at this stage it is a military matter. We assume that Weihsien delivery will probably be at Tsingtao and that vessels will be sent to receive both that and the Shanghai groups. If the Department desires Embassy participation in reception of internee groups please instruct me as soon as possible.

HURLEY

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124.93/8-2045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 20, 1945—9 a. m.  
[Received 8:42 p. m.]

1403. The following further comments are submitted concerning reorganization of Foreign Service operations in China (please see also my telegram No. 1347, August 13, 9 a. m.)

1. Transfer Chungking to Nanking. Chinese Foreign Office now expects to move by October 10 and has expressed hope that foreign chiefs of mission can reach Nanking by that date. Conversations with colleagues indicate that if conditions Nanking too congested or disorganized, part of staffs may be established temporarily in Shanghai. I plan to detail an officer (in addition to those mentioned in my reference telegram, third paragraph) to visit both Nanking and Shanghai at earliest possible opportunity to report on our properties there.

Details of transfer. Our Naval Attaché<sup>4</sup> has expressed the opinion that the most practicable method of transfer would be to detail U. S. Naval craft (LST boats for example) to Chungking and to transport thereon all our records, archives, office equipment, furniture, vehicles and personal luggage. Some of the personnel might also use this transportation. Captain Jarrell expressed the further opinion that

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<sup>4</sup> Capt. Henry T. Jarrell, U. S. N.

as a temporary emergency arrangement it might be possible to house personnel aboard a Naval vessel at Nanking, should quarters not be immediately available in the city. It is suggested that the Department explore foregoing with the Navy Department, informing me by cable of the result.

2. Chengtu. The lease expires September 30 next. In the absence of instructions to the contrary I shall direct Paxton<sup>5</sup> to give the required notice on September 1 and to close the office by the end of that month. I am assuming that the Department will not desire to have more than one Consulate in Szechwan, and that one officer will be left in Chungking when the Embassy moves to Nanking; should the Department consider Chengtu more important as a permanent post, he could later transfer there after liquidating matters here.

3. Lanchow. It is recommended that this office remain closed.

4. Sian and Tihwa. I suggest these offices continue to operate for the time being.

5. Kunming. We have just received a copy of Langdon's<sup>6</sup> despatch 240 dated August 15,<sup>7</sup> requesting assignment to Manchuria or Korea, and referring to separate despatch (not yet received here) recommending reduction of staff and leaving Vice Consul Clough<sup>8</sup> in charge. Embassy agrees in principle to reduction of Kunming staff and suggests immediate transfer here of clerk Hilda Anderson. (This paragraph being repeated to Kunming by telegram.)

I should appreciate earliest possible comment on this message and my telegram 1347.

HURLEY

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390.1115/8-2345 : Telegram

*The Consul General at Kunming (Langdon) to the Secretary of State*

KUNMING, August 23, 1945—9 p. m.  
[Received August 23—10:45 a. m.]

Unnumbered. [To Embassy:] Reurtel 45, August 22.<sup>9</sup> At conference with Consul [*Commanding?*] General Services of Supply<sup>10</sup> and his G-5 Colonel Wm. Mayer it was stated Services of Supply desires Foreign Service Officers as follows for following duties: One each at Peiping, Weihsien, Canton to aid Americans who do not wish repatriation to return to their establishments, army determining

<sup>5</sup> J. Hall Paxton, Second Secretary of Embassy in China.

<sup>6</sup> William R. Langdon, Consul General at Kunming.

<sup>7</sup> Not printed.

<sup>8</sup> Ralph N. Clough, Vice Consul at Kunming.

<sup>9</sup> Not found in Department files.

<sup>10</sup> Major General Cheves.

whether such return safe or not, also to assist in liaison with Allied nationals; one team Shanghai in addition to above duties to assist army in determining eligibility for repatriation to U. S.

No foreign representatives have yet asked or been given permission to accompany army units. I received impression at conference that early reopening of our Consular offices was desired.

Sent to Chungking as 20; repeated Department.

LANGDON

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123 [Josselyn, Paul R.] : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 25, 1945—2 p. m.

1330. 1. Josselyn<sup>11</sup> assigned Consul General Shanghai and Howard<sup>12</sup> also assigned Shanghai will leave by ATC<sup>13</sup> on Two priority for Chungking about August 29. It is hoped they can proceed Shanghai as soon as possible where they will be available to Army for liaison and advisory assistance.

2. Dept assembling staff for Shanghai which will serve as center for opening other offices. Now planned that about 15 persons including some 5 officers with 10 auxiliaries and clerical staff will be ready leave Washington by September 10. This group will be accompanied by Butrick<sup>14</sup> designated Dept's special representative in charge reopening and staffing Consulates in Far East and his assistant Johansen.<sup>15</sup> This group will carry sufficient essential supplies to commence functioning of Shanghai and other important Consulates.

3. Army authorities here tentatively state they can furnish special plane for this group as far as Karachi, but further transportation arrangements to Chungking or through to Shanghai should be cleared through Theater Commander. You are requested discuss this subject with General Wedemeyer and ascertain his views on reopening of Shanghai and other Consulates in China immediately after occupation.

4. In discussing this general subject of reopening Consulates you may wish to mention to General Wedemeyer that consular officers can assist in processing internees and other citizenship matters and handling of relief, investigation of American properties, shipping services, liaison with local authorities and other work. It may be

<sup>11</sup> Paul R. Josselyn, Secretary in the Diplomatic Service and Consul General.

<sup>12</sup> Hungerford B. Howard, Vice Consul of Career and Secretary in the Diplomatic Service.

<sup>13</sup> Air Transport Command.

<sup>14</sup> Richard P. Butrick, Acting Chief, Foreign Service Administration.

<sup>15</sup> Beppo R. Johansen, Vice Consul of Career and Secretary in the Diplomatic Service.

pertinent to mention General MacArthur<sup>16</sup> has requested two Foreign Service Officers now Manila be specially detailed accompany occupation forces into Japan assist in handling American citizens. Number of American citizens in liberated China far exceeds number in Japan. Dept would appreciate any estimate which Army Headquarters can furnish of probable dates when consular staffs may enter Shanghai and other cities such as Canton, Hankow, Hong Kong, Tientsin, and Tsingtao.

5. Dept assumes Embassy Chungking will be able provide enough staff and essential supplies for opening Nanking as implied in your 1403, August 20, 9 p.m.

6. Dept assumes you will be able to ascertain Chinese Govt has no objection to reopening at present time former Consulates in China and travel preliminary thereto of Butrick and such assistants as he designates.

7. Please attempt ascertain from Swiss<sup>17</sup> Shanghai direct if channels are now open :

a. Condition and availability former offices Shanghai.

b. Number of serviceable desks filing cabinets typewriters adding machines and safes and condition Shanghai files.

c. What food and other supplies should personnel bring by air, and (unless Embassy has information that Army will provide) request Swiss obtain best possible accommodations 20 persons September 15, Shanghai.

8. Dept experiencing difficulty recruiting suitable and experienced clerical personnel for Chungking and other posts in China. It understands OWI<sup>18</sup> and other civilian agencies in China may soon be reducing operations and assumes you will canvass possibility of recruiting personnel from them for our needs.

BYRNES

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740.00115A PW/8-2545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 25, 1945—2 p. m.

[Received 2:40 p. m.]

1443. The suggestion contained in Kunming's telegram dated August 23, 9 p. m., relative to the assignment at this time of Foreign Service Officers to internment camps at Peiping, Weihsien, Canton and Shanghai is not approved. The delivery of internees as well as

<sup>16</sup> General of the Army Douglas MacArthur, Supreme Commander of Allied Powers in Japan.

<sup>17</sup> Switzerland represented U.S. interests in occupied China.

<sup>18</sup> Office of War Information.

of prisoners of war is a part of the surrender terms, and is being handled by the appropriate military authorities. While it will probably be desirable for Foreign Service Officers to participate in and perhaps eventually to take over functions on behalf of civilian internees, it is the opinion of our military headquarters Chungking in which I concur that, until the situation is clarified following the formal surrender of the Japanese, it would not be desirable to move Foreign Service Officers into liberated China. As soon as formal surrender is effective the situation will be reexamined.

Repeated to Kunming and Manila.

HURLEY

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125.0093/8-2545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 25, 1945—3 p. m.

[Received August 25—2:06 p. m.]

1444. The Chinese Government is under considerable pressure from foreign diplomatic missions in Chungking, notably the British, Dutch and French, to permit consular officers to proceed to various coast and other cities. (ReEmbstel 1443, August 25, 2 p. m.) Army headquarters here is being importuned hourly to provide transportation for them, at a time when facilities are so restricted that it is only with the greatest difficulty that our Army is handling the transportation of key military personnel.

The Chinese Government has sent a note to the Dean of the Diplomatic Corps stating that it will in due course inform the corps when in the judgment of the Chinese Government the time has come for foreign missions to begin sending representatives (including consular officers) to cities in liberated China. In confidential conversation with us, the Vice Minister for Foreign Affairs<sup>19</sup> pointed out that his Government's urgent request for authorization to reopen the Consulate in Rangoon was kept pending by the British for several months, notwithstanding the presence of very many more Chinese in Burma than there are British subjects in China, and also notwithstanding the important participation of Chinese troops in the recapture of Burma from the Japanese. The Foreign Office also points out that although the American Government acted very promptly with regard to Manila, the Chinese Consulate General there was not reestablished until the American Government had given permission for China to do so.

I am well aware of the interest of the American Government and people in the welfare of American civilian internees, and the subject

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<sup>19</sup> K. C. Wu.



of their pre-surrender relief has been under constant discussion with our military authorities. A representative of the Embassy attends daily meeting at headquarters on the subject and we are keeping closely informed. There appears to us to be no justification yet for sending Foreign Service Officers into the areas in question.

HURLEY

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123 [Josselyn, Paul R.] : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 31, 1945—4 p. m.

[Received August 31—1:10 p. m.]

1488. 1. We shall be pleased to have Josselyn and Howard stop at Chungking en route to Shanghai. (Re Deptstel 1330, August 25, 2 p. m.)

2. After consideration of the problem involved in sending additional Shanghai staff to that post (paragraphs 2, 3 and 4 of telegram 1330), it is recommended with the concurrence of General Wedemeyer that the group proceed Trans-Pacific rather than via Calcutta, Kunming and Chungking. There appears to be no special advantage in Chungking route which is extremely congested, and moreover facilities for the accommodation here of group of that size are presently lacking.

Another factor to consider is that the Chinese Government has not yet indicated any date when foreign consular representatives will be permitted to reopen their offices. We have been informed confidentially and informally by the Foreign Office that the American group for Shanghai "will be welcome at any time" and that the Chinese would prefer that they proceed directly to Shanghai rather than across China. (Please see also Mytel 1444, August 24 [25], 3 p. m.)

3. In the meantime American military headquarters here have asked whether it will be possible for the Embassy to detail a group not to exceed five Foreign Service Officers to Shanghai to assist military in internee and related problems. We plan to make immediately available Hinke,<sup>20</sup> who has just arrived, and possibly one or two other officers.

4. Date of beginning of transfer of Embassy to Nanking cannot yet be determined. Has the Department explored the possibility of having naval vessels proceed to Chungking as suggested Mytel 1403, August 20, 9 a. m.

5. The Chinese Government will interpose no objection to necessary travel on the part of Butrick and assistants, although it is believed

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<sup>20</sup> Frederick W. Hinke, Second Secretary of Embassy and Consul.

that definite plans for additional offices might well be deferred until the Shanghai office is again functioning.

6. We have requested information through Bern in regard to condition Shanghai office and equipment. It may be necessary at the beginning to arrange housing for group through army authorities Shanghai.

7. Inquiry will be made of American agencies here regarding possible availability clerical personnel.

HURLEY

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123 [Josselyn, Paul R.] : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 31, 1945—6 p. m.

1377. Dept hopes for early reply to its 1330 August 25, 2 p. m.

Apart from internee problem there are several reasons making desirable return of Foreign Service Officers as soon as possible to the liberated areas of China.

1. There are numerous civilians in liberated areas claiming American citizenship who have not been interned. Many of them, as well as some internees, do not, according to Swiss, desire repatriation. Concerning them there are certain to be many problems of citizenship protection and relief.

2. Dept is already being importuned by representatives of Mission organizations and business firms for information on properties in China, conditions there or probable time when they may be able to return to China. Owners have right to expect active American efforts to investigate, protect and preserve properties but Army acting alone, even if willing, may have difficulty in such matters as locating properties and determining which are legitimately entitled to protection. Dept also requires reports from the field on which to base its advice to Americans having interests in China.

Reports from Swiss, particularly Bern's 4023 August 29, 5 p. m.<sup>21</sup> which has been repeated to Chungking, show considerable anxiety over general situation in liberated areas and indicate need for presence of American representatives. Dept does not feel that delays which Chinese Govt may have experienced in securing British approval for reopening of its Consulate in Rangoon or current Chinese negotiations with British or other Govts for reopening of consular offices in China should affect our urgent desire to have Foreign Service Officers enter liberated areas. You are requested to take the action requested in paragraphs 3 and 6 of our 1330 August 25, 2 p. m.

BYRNES

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<sup>21</sup> *Ante*, p. 539.

125.8576/9-745 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, September 7, 1945—4 p. m.

1410. Dept desires to know whether Embassy has made satisfactory arrangements for radio facilities at Nanking and Shanghai. Navy Department suggests informally that if we desire to use their facilities, arrangements should be initiated without delay in Washington. Please consult Josselyn in regard to Shanghai.

ACHESON

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125.8576/9-1945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, September 19, 1945—5 p. m.

[Received 10:35 p. m.]

1625. From information available in Chungking, adequate Army and Navy facilities are now installed or are being installed in Shanghai to handle all Consulate General's traffic.

Naval Attaché's office suggests, and Embassy recommends that it establish a station in Nanking. It is requested Department approach (reference Department telegram 1410, September 7) Navy Department to obtain authorization. Upon receipt of such authorization, the Embassy will request permission to establish Nanking station from Chinese Government.

HURLEY

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125.8576/9-1945 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, October 1, 1945—5 p. m.

1585. Navy Dept authorizes radio station suggested your 1625 Sept 19. Please request permission from Chinese govt to install and operate a station in Embassy at Nanking. In your discretion include request for permission install stations in consulates where commerical facilities inadequate.

ACHESON

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125.0093/10-3045 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, October 30, 1945—6 p. m.

[Received November 2—6:30 a. m.]

125. [This is] Butrick's 29. Reopening Manchurian Consulates.

1. All preparations practically completed early despatch Dairen by

Seventh Fleet destroyer from Shanghai of group to reopen Dairen [and] Harbin. Action now suspended.

2. On recent visit Chungking, Robertson,<sup>22</sup> Chase<sup>23</sup> and I visited Chinese Foreign Minister<sup>24</sup> and Soviet Ambassador<sup>25</sup> informing them our plans immediate reopening Dairen [and] Harbin. Foreign Minister manifested anxiety and suggested defer departure pending clarification from Chinese for authorities and troops established in Manchuria. Soviet Ambassador manifested no anxiety, raised no objections, merely suggestion group contact Soviet Consuls [at] Dairen [and] Harbin for assistance transportation, other problems encountered.

3. Recent visit Peiping learned of expulsion on short notice OSS (Office of Strategic Services) group and French Consul from Mukden. OSS group left behind in French Consulate substantial quantities shoes, food, other relief supplies. OSS stated Washington fully informed of their difficulties there and of Russian deprivations Manchuria.

4. Fleet Headquarters now informs me Admiral Settle and cruiser, sent Dairen anticipation landing Chungking troops for occupation Manchuria, requested by Soviet Commander to leave Dairen and on refusal admission Dairen, troops are now being transported Chinwangtao instead. Fleet headquarters promptly removed cruiser and will not detail vessel again to Dairen without Navy Dept's authorization.

5. The most practical way to enter Manchuria seems through Dairen. In view of circumstances mentioned, that would require special authorization Navy Dept and there would be no assurance that group could land on arrival. Of course, we are prepared to face that situation and to withdraw either with publicity or without publicity if the Dept so desires. Otherwise, two courses appear open: (a) For the Dept to arrange with Moscow that Russian military and civil authorities in Manchuria be instructed to receive group and afford all facilities, or (b) that we await Chinese control of Manchuria. We have also considered landing inconspicuously by coastal steamer or by special plane. We consider it necessary to take in two jeeps and substantial provisions and supplies which would be difficult to transport by coastal steamer and special plane would doubtless require Russian permit to land.

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<sup>22</sup> Walter S. Robertson, Minister-Counselor of Embassy in China for economic affairs, and Chargé d'Affaires.

<sup>23</sup> Augustus S. Chase, Consul at Shanghai.

<sup>24</sup> Wang Shih-chieh.

<sup>25</sup> Apollon Aleksandrovich Petrov.

6. Regarding composition group: (a) Proposed consular personnel comprises Sturgeon,<sup>26</sup> Olive<sup>27</sup> for Dairen and Chase [and] self in Harbin plus one Russian-speaking Chinese clerk from Shanghai for each office. We also propose to attach Julian Friedman<sup>28</sup> to one of the Manchurian offices for a period of a few months. Fleet Headquarters prepared recommend detail Russian-speaking Lieutenant Walter Hellis assist group, including interpreter courier service, and Military Attaché anxious Army officer accompany. We would favor their detail on basis formal attachment Dairen-Harbin Consulates respectively. Highly desirable Army officer also know Russian in light previous evidence troubles Manchuria largely result misunderstandings. (c) USIS (United States Information Service) desires send full unit Manchuria headed by James Stewart. Feel that if any USIS personnel taken should confine for present to one fan engineer operator with transmitting equipment USIS understood ready provide and who is urgently needed radio service Harbin Consulate. (Would contemplate destroyer service Dairen.) However, Soviet consent problematical. (d) OSS anxious send party. In view character OSS work and already manifested Soviet hostility, their presence Manchuria believe would only jeopardize treatment our own group and strongly disapprove for present. (e) Socony and tests [*Tewaco?*] here extremely anxious get one man each Dairen connection important oil installations there. Could be most useful Consulate and strongly recommend the foregoing group provided consistent Dept's policies. Temporary arrangements for employment by Consulate toward forestalling possible Soviet objections might be considered. (f) In view Clubb's<sup>29</sup> experience dealing Soviets and early need additional personnel for requirements reopening Mukden and probable need new office Changchun (apparently destined administrative center Manchuria) services Clubb highly desirable especially for initial contacts Soviet authorities Dairen. Understand from Sturgeon, Clubb instructed proceed Manchuria observation. Please inform when departed and whether instructed report to me.

7. Dept's early instructions (including respectively personnel other agencies) requested get destroyer there. If Dept believes there will be delay of month or more, I desire to detail Sturgeon and Chase temporarily to other posts in China which ought to be established at once. Sturgeon hopes in case long delay, his services can be utilized Japan area. [Butrick.]

JOSSELYN

<sup>26</sup> Leo D. Sturgeon, Consul General.

<sup>27</sup> William W. Olive, Vice Consul at Shanghai.

<sup>28</sup> Junior economic analyst at Shanghai.

<sup>29</sup> O. Edmund Clubb, Consul General at Vladivostok.

125.0093/11-645

*Memorandum by Consul General Sturgeon to the Acting Chief of the Division of Foreign Service Administration (Buttrick), Temporarily in Shanghai*

SHANGHAI, November 6, 1945.

From what I have been able to learn through conversations and material in the papers, it appears that Chinese National Government officials, including a Foreign Office representative, are going into Changchun in considerable numbers under the terms of the Sino-Soviet treaty of August 14, 1945.<sup>30</sup> Article 3 of the section of the treaty dealing with the "Chinese Changchun Railway", the new name for the railway network of Manchuria, states that the board of directors shall be in Changchun. In addition, a Chinese military mission is provided for in the treaty, and has been appointed, "to ensure contact between the Commander-in-Chief of the Soviet forces and the Chinese National Government," an Economic Commission has been appointed, and the Central Bank has arranged for representation in Changchun.

These developments, coupled with the fact that Changchun underwent extensive development as the capital of Manchuria under the Japanese regime, appear to give the city a place of special importance. It seems fairly certain, therefore, that political and economic policies for Manchuria will be formulated wholly or in substantial part in Changchun. It should also be the best place to observe the operation of the many-sided Sino-Soviet treaty and its effects on the American position in Manchuria—both political and economic observations can be made from Dairen, Mukden and Harbin, but in respect to the purpose and significance of day to day developments close and continuous contacts at that point would seem to be essential and of the greatest importance. It also appears that the time of greatest need for this close touch with Changchun authorities, Soviet and Chinese, should be in the period of transition from Soviet military to Chinese civilian control.

I have had opportunity to discuss the above phases of the Manchurian situation with a number of well-informed people here, including Mr. Dawson,<sup>31</sup> General McMenmon of the U. S. Economic Mission to China, and find that they view it in much the same light.

In the circumstances, and if you think the idea has merit, I would suggest recommending to the Department that our principal and perhaps first attention in Manchuria be given to the establishment

<sup>30</sup> Signed at Moscow; Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

<sup>31</sup> Owen L. Dawson, Agricultural Attaché in China.

of a mission or office in Changchun capable of keeping our Government fully acquainted with all political and economic developments of interest to the United States. I believe that this action would enable the Department, with other concerned agencies of the Government, to check on and analyze developments as they occur and in so doing to safeguard such long range interest as we may have in Manchuria.

I only want to add that it is not my thought that present plans to open offices in Dairen and Harbin would be disturbed, but simply that careful emphasis be placed on the leading and vital role that Changchun has assumed in the situation; particularly in view of over-all political conditions. I am naturally most interested in the broader phases of the picture which may determine future opportunity for American nationals to live, trade, or move about in Manchuria. As I have previously indicated, however, I am thinking mainly of participating in this work only in the period of emergency and re-establishment and not in terms of permanent assignment to any of the prospective posts.

LEO D. STURGEON

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125.8576/11-845 : Telegram

*The Consulate General at Shanghai to the Secretary of State*<sup>32</sup>

SHANGHAI, November 8, 1945—9 a. m.

[Received November 9—11 : 33 a. m.]

43. Foreign Service radio communications in China.

1. Present facilities available to us are ample, consisting of good internal communications through OWI, U. S. Navy and Marines and U. S. Army. Externally we rely principally on Navy and in North China on Marine Corps but Army facilities with India also available. Chinese Government and commercial facilities are now slow and inadequate. The possibility exists that some of our offices if relying solely on those services would be cut off by civil strife or breakdown of those services. The probability is that our radio traffic will be heavy and if commercial facilities alone are used very expensive.

2. Under circumstances we must have radio services which will be quick and sure at all times under all conditions. We will inherit the OWI radio network in China on January 1. At present it is technically tied up with the U. S. Army Signal Corps but in reality operates independently with stations in Shanghai, Canton, Peiping, Tientsin, Hankow, Chungking, Kunming and additional stations are contemplated in Formosa and Manchuria within the month. William

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<sup>32</sup> Telegram unsigned but probably from Richard P. Butrick, Acting Chief of the Division of Foreign Service Administration, on mission in China.

L. Holland, the Acting Director of the China Division of OWI, now USIS, is in Washington and is familiar with OWI China setup and inefficient service supplied by Ministry of Communications often actuated by political motives. He should be contacted.

3. The other possibility is to set up stations throughout China with U. S. Navy equipment and personnel. Naval Attaché Kenney states he is ready to do this if it is requested by State Dept but that action must be taken promptly before equipment now in China is shipped away. The sets would remain his accountability.

4. The possibility exists that Chinese communications may be improved greatly within one year as it is rumored that UNRRA<sup>33</sup> is supplying the Ministry of Communications with considerable modern equipment valued in the millions of dollars. Pending ability of Chinese Govt to supply efficient telegraph and radio service, they should not and probably would not raise objection to American circuits proposed above. At present both British and Russians operate circuits in China with the approval of the Chinese Govt. Akins, Chief of the China Division Communication Facilities [of] OWI, informs me Russians probably have more stations than authorized.

5. Embassy, please report your observations direct to Dept and repeat to Shanghai.

6. View of my transient character further action should be handled by Shanghai and Chungking.

7. Please instruct promptly.

8. Sent to Dept, repeated to Chungking.

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125.0093/10-3045 : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*

WASHINGTON, November 8, 1945—11 a. m.

138. Dept feels that dispatch of FonServ and other Govt personnel to Manchurian posts (Butrick's 29 as transmitted in Urtel Oct 30) should be deferred pending (1) clarification of developments in Manchuria, particularly extension of Chinese National Govt authority to that area; and (2) outcome of Emb Moscow's efforts to obtain Soviet clearance for Clubb to proceed Manchuria from Vladivostok. In latter connection Dept has just received telegram from Emb Moscow<sup>34</sup> stating FonOff has informed it that question of Clubb's travel to Manchuria is receiving attention of "competent Soviet organs" and that as soon as question has been considered Soviet FonOff will inform our Emb.

<sup>33</sup> United Nations Relief and Rehabilitation Administration.

<sup>34</sup> Telegram No. 3774, November 5, 9 p.m., not printed.



In light of foregoing considerations Dept is of view it would be desirable to detail Sturgeon, Chase and other personnel earmarked for Manchuria to posts in China on temporary basis. Sent to Shanghai, repeated to Chungking.<sup>35</sup>

Dept desires that Emb Chungking keep in close touch with appropriate Chinese authorities regarding question of reopening of consular offices in Manchuria and that Emb keep Dept and Butrick informed of developments.

BYRNES

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125.0093/11-945 : Telegram

*The Acting Chief of the Division of Foreign Service Administration  
(Butrick) to the Secretary of State*

PEIPING, November 9, 1945—4 p. m.

[Received 11:45 p. m.]

45. Reference Shanghai's 125, October 30, 5 p. m. transmitting my 29. According information given us by Chinese officials Chungking and since confirmed by Shanghai sources and press, Changchun is to be nerve center Manchuria with headquarters highest Chinese military, civil, economic, agricultural, railway, banking organs and Foreign Office representatives in Manchuria, and movement advance parties Chinese officials to Changchun now under way. In light these developments believe that soonest possible visit Changchun by few our officers would be highly useful even if brief and without opportunity travel elsewhere. As Chinese officials are evidently being allowed fly to Changchun and establish themselves there, entry Changchun by plane our own representatives should be less likely to meet with Soviet opposition than if entry attempted elsewhere.

We are accordingly exploring possibility arranging here for planes and necessary Chinese and Soviet clearances to fly Sturgeon, Chase and Dawson to Changchun if arrangements for entry full consular group via Dairen or elsewhere not completed meanwhile. (Believe Dawson's inclusion very desirable [in] view his close relations important Chinese officials at Changchun some of whom have expressed desire his presence, and need for rapid survey little known Manchurian agricultural and food situation.) In view doubtful prospects success our efforts, hope Department will meanwhile continue any efforts it may be making assist our entry Manchuria via Dairen or elsewhere.

United Press despatch, dateline Tokyo November 8, reports U. S. Reparation Committee arrived Tokyo for tour Japan, Korea, Philip-

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<sup>35</sup> Repeated to the Ambassador in China as No. 1812.

piners, Manchuria, China. If Committee actually visiting Manchuria in immediate future, Department might wish utilize opportunity endeavor arrange detail Foreign Service Officer accompany Committee there. Suggest John Service,<sup>36</sup> Langdon, Clubb, Sturgeon or Chase as possibilities, choice to be made after Department ascertains Committee's itinerary on leaving Japan.

Sent to Department, repeated to Chungking.

BUTRICK

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125.8576/11-2445 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, November 24, 1945—3 p. m.

[Received November 24—10:17 a. m.]

2031. Permission install and operate Navy radio station in Embassy at Nanking and also at Consulates where commercial facilities are inadequate was requested of Chinese Govt in our note of Oct. 9 to Foreign Office. (Dept's 1886, Nov. 22<sup>37</sup>) After repeated inquiries Foreign Office informed us yesterday that matter had been referred to Generalissimo for decision, and that his decision, probably favorable, would be communicated to us within few days. (Sent Dept as 2031, repeated Shanghai.) Upon receipt of decision we will telegraph our recommendations as requested in Shanghai's 43, Nov. 8 regarding advisability of using OWI or Naval radio network for our offices in China.

ROBERTSON

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893.00/12-345 : Telegram

*The Consul General at Vladivostok (Clubb) to the Secretary of State*

VLADIVOSTOK, December 3, 1945—noon.

[Received 5:46 p. m.]

117. The following telegram has been sent to the Embassy, 233: Reference Embassy's telegram No. 3888, November 17, 7 p. m. to the Department.<sup>37</sup> Inasmuch as, according to Tass report of November 28 from Chungking, the Soviet Government has agreed with the Chinese Government to postpone for some time the withdrawal of Soviet troops from Manchuria, it is assumed that the competent Soviet authorities will now offer no objection to my travel there.

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<sup>36</sup> Consul John Stewart Service.

<sup>37</sup> Not printed.

I still prefer to proceed via Pogradichnia by rail and, since the Soviet authorities currently have responsibility for and are operating the Chinese Changchun Railway, presumably they are in a position to provide the requisite travel facilities in the near future. I propose to proceed first to Harbin and to depart as soon as possible.

I will report further itinerary and schedule when developments warrant.

Repeated to the Department as 117.

CLUBB

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893.00/12-545 : Telegram

*The Ambassador in the Soviet Union (Harriman) to the Secretary of State*

Moscow, December 5, 1945—6 p. m.  
[Received December 5—3:33 p. m.]

4070. Reference Vladivostok's 117, December 3, noon. Following letter dated December 5 has been sent to Vyshinski: On instructions [apparent garble] your letter of November 16<sup>38</sup> in which you stated that, as Soviet troops were being withdrawn from Manchuria, the competent Soviet authorities desired that the American Consul General at Vladivostok, Mr. Clubb, postpone his journey to Manchuria.

Inasmuch as the withdrawal of Soviet troops from Manchuria continually [apparent garble] my Government assumes that the competent Soviet authorities can now have no objection to Mr. Clubb's making a visit to Manchuria. I shall therefore appreciate the issuance of instructions which will enable Mr. Clubb to commence his travel without further delay.

To Department as 4070; repeated to Vladivostok as 138 and Chungking as 232. Department, please repeat to Tokyo and Seoul.

HARRIMAN

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124.936/12-1045 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 10, 1945—4 p. m.  
[Received December 11—6:42 a. m.]

2133. We were informed today by Vice Minister [for] Foreign Affairs Liu Chieh that, according to information received from Chinese Ambassador, Washington,<sup>39</sup> no foreign Embassies in Wash-

<sup>38</sup> Text quoted in telegram No. 3888, November 17, 7 p. m., from the Ambassador in the Soviet Union, not printed.

<sup>39</sup> Wei Tao-ming.

ington are allowed to operate radio stations as this is contrary to FCC<sup>40</sup> regulations. (Embtel 2031, November 24.) Liu Chieh also said that British Embassy in China has requested permission for radio station but that British on their part have offered to allow Chinese to have station at their Embassy, London.

It would be helpful if Department would inform us whether any American Embassies abroad are allowed to operate radio stations; it is impression of some members of our staff this has been done. Also we would appreciate confirmation of Chinese Ambassador's statement that foreign Embassies in Washington are not allowed to have stations.

With abolition of extraterritoriality and present strong Chinese nationalistic feeling, question of reciprocity seems to be determining factor in matter. Would Department be willing to allow Chinese Embassy, Washington, to install and operate radio station on condition our Embassy in China be granted similar privileges? Naval Attaché has already installed radio station in Embassy premises Nanking (in joint Military and Naval Attachés building). But it has not commenced operation pending decision of Chinese Govt on our request. For Department's information, there is a Chinese Government radio station in Nanking and Chinese Government would probably maintain that this constitutes adequate facilities.

Department's early instructions are requested.

ROBERTSON

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124.936/12-1245 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 12, 1945—6 p. m.

[Received December 12—8:50 a. m.]

2149. In opinion of Embassy, intra-China radio network indispensable until Chinese facilities adequate to meet requirements (reference USIS Telecon Washington to Shanghai December 11). Urgently request continuation of present USIS radio network. Since preliminary conversations with Foreign Office indicate (refer Embtel 2133, December 10) there may be difficulty in obtaining governmental approval, Embassy suggests attempt be made to continue operation under Army authority. UNRRA and Associated Press both have approached Embassy regarding their continued use of network, saying these facilities indispensable to them. Outside use of network poses problems which may entail embarrassment with Foreign Office, however, and Embassy will cable its views regarding these requests after further consideration.

ROBERTSON

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<sup>40</sup> Federal Communications Commission.

124.936/12-1045 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 14, 1945—5 p. m.

1993. Following are answers to your 2133, Dec. 10, 4 p. m.

(1) Under Communications Act 1934,<sup>41</sup> Foreign Governments and their representatives in U. S. are not allowed to operate radio transmitting stations. This prohibition does not apply to radio receiving stations.

(2) On account of disrupted communications in Europe and the Near East a number of American Embassies have been operating a radio transmitting station usually with facilities offered by the War Department. This is notably the case in Warsaw, Sofia, Tehran, Baghdad, Addis Ababa, Budapest, Vienna, Cairo and Belgrade.

(3) On account of unsatisfactory radio service between the U. S. and U. S. S. R., War Department operates 24 hour radio teletype service between Washington and Moscow with relay via Algiers. As we were not in a position to offer reciprocity, arrangements made whereby fifty percent of time on circuit was allocated to Russians with a direct tie-line between Pentagon and Russian Embassy here.

(4) In view of the fact that ordinary commercial communications between the United States and China are still unsatisfactory, due to war conditions in China, this Government is most anxious to maintain, for the time being, communications between Washington and its missions in Chungking, Nanking and Shanghai.

(5) This obviously is purely a temporary arrangement pending improvement in existing commercial communications.

In the light of the foregoing you are requested to take this matter up again with Chinese authorities and express hope that they will acquiesce in a plan which by assuring rapid communications between Department and its representatives in China can only be helpful to Sino-American relations. In your discretion and after discussing the matter with Naval Attaché you might as a last resort suggest possibility of following precedent established in case of US and USSR army circuit. This would place plan on a cooperative basis and assure Chinese Embassy rapid communications with its Government at home.

ACHESON

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<sup>41</sup> Approved June 19, 1934; 48 Stat. 1064.

OBJECTIONS BY THE UNITED STATES TO THE CHINESE  
GOVERNMENT'S EXCLUSION OF CERTAIN AMERICAN  
PRESS CORRESPONDENTS

811.91293/7-2845 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, July 28, 1945—3 p. m.

1163. Ernest Lindley, representing *Newsweek*, has called on me in regard to exclusion from China of Harold Isaacs, that magazine's regular Chungking representative. I informed Lindley that Dept would inquire into case and communicate with him later.

Please inquire into the matter and point out to Chinese Government that this action may have adverse effect upon public opinion in United States where freedom of press is considered important, and that it would not be to China's own interests should this case become an issue in eyes of American press and public. Your approach should be from point of view that Isaacs case is not an isolated incident but has broad implications for all American correspondents who are now or may in future go to China.

Please report by radio the results your approach.

GREW

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811.91293/7-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 30, 1945.

[Received July 30—2 : 56 p. m.]

1253. I have received following telegram from T. O. Thackrey, Editor and General Manager, *New York Post*:

"Earnestly request your aid in making possible assignment of Darrell Berrigan, Pacific Editor of *New York Post*, to China. War Department informs me that Chinese Government has refused to admit Berrigan to China despite acceptance as war correspondent by military commands in China, Burma, and India. Berrigan highly experienced foreign correspondent with long and excellent record in CBI.<sup>1</sup> Reason for action of Chinese Government unknown to us. Also unable to learn here what department or official of Chinese Government

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<sup>1</sup> China-Burma-India Theater.

made ruling and on what grounds. The *Post* naturally regards this as arbitrary action of most serious nature which will do grave injury to press relations between United States and Chinese Government. Will deeply appreciate whatever effort you may see fit to make to obtain reconsideration of Chinese Government's ruling. Respectfully."

HURLEY

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811.91293/7-3045 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, July 30, 1945—11 p. m.

[Received July 30—2: 54 p. m.]

1254. In our 1253, July 30, we quoted a telegram received from Thackrey, Editor and General Manager of the *New York Post*, in regard to the refusal of the Chinese Government to permit Darrell Berrigan, Pacific Editor of the *Post*, to enter China.

We have communicated with Chinese Government and, if Department perceives no objection, it is suggested that a reply be sent to Thackrey along following lines:

"Chinese Government official in charge has informed the Embassy at Chungking that Berrigan's application for admission to China has been rejected, after full consideration, and that the case is closed."

For the Department's top secret information, Mr. Hollington Tong, Vice Minister of Information, has informed a member of my staff that Berrigan was consistently unfair and unfriendly to the National Government during his previous stay in China, and that since his return to the United States he had been most unfair in his observations on China. In the interest of freedom of the press all this might be tolerated if it were not for the fact that China is at war and its capital is in the theater of war and the Government has had to fight for its existence while Berrigan was openly trying to destroy the Government. Mr. Tong expressed the opinion that Berrigan's return to China would not be in the role of a war correspondent, but only to continue his work in further attempts to undermine the National Government.

HURLEY

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811.91293/7-3045 : Telegram

*The Acting Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 2, 1945—6 p. m.

1183. Dept is of opinion that the sending of a reply to Thackrey along lines indicated in your 1253, July 30, would be inadequate not

only in justice to Thackrey but also in the light of consistent policy of this Government.

Thackrey indicated in his telegram to you that he had been unable to ascertain what department or official of the Chinese Government was responsible for ruling against Berrigan's admission to China and specific grounds therefor. We believe Thackrey entitled to such pertinent information.

Dept feels that in Berrigan case the same course should be followed as was outlined to you by Dept in regard to the case of Isaacs (Depts 1163, July 28). Dept cannot recognize the validity of the Chinese Government's position that the Chinese Government may arbitrarily exclude any American correspondent who expresses criticism of that Government.

The American Government is a proponent of world-wide freedom of the press and is not, nor would it wish to be, in position to do otherwise than uphold the principle of freedom of the press. Pursuant to its adherence to that principle, notwithstanding that this Government also is at war, it has not taken any action to restrict facilities granted to or otherwise to interfere with Chinese news and other writers in United States who have written critically of American Government as, for example, Lin Yu-tang who, as is well known, severely criticized this Government in one of his books and who entered the United States on a Chinese Government official passport.

In the light of the foregoing circumstances and considerations please take up this matter orally with the Foreign Minister<sup>2</sup> and make representations to him along the lines indicated above and in our 1163.

Dept will await results of your representations and receipt of information requested before communicating with Thackrey.

GREW

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811.91293/8-545: Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 5, 1945—5 p. m.

[Received August 5—9 a. m.]

1288. The cases of Berrigan and Isaacs were again discussed with Soong<sup>3</sup> last night before his departure for Moscow along the lines of the Department's telegrams 1163, July 28, 3 p. m., and 1183, August 2, 6 p. m. He has agreed to have them both re-investigated fully. I hope within the next few days to be able to communicate the final decision of the Chinese Government.

HURLEY

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<sup>2</sup> Wang Shih-chieh.

<sup>3</sup> T. V. Soong, President of the Chinese Executive Yuan and recently Minister for Foreign Affairs.



811.91293/8-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 9, 1945—9 a. m.

[Received 11:20 a. m.]

1310. The Acting Minister for Foreign Affairs, K. C. Wu, handed me a memorandum today stating the reasons why the Government of China has refused to permit the return of correspondents Berrigan and Isaacs to China. (My telegram No. 1288, August 5, 5 p. m. and previous correspondence.) The memorandum follows:

“The Chinese Government has recently had occasion to deny the applications for permission to return to China of two American war correspondents who were formerly in the China Theater. In order that there may be no misapprehension as to China’s attitude in this matter, the Chinese Government wishes to make it clear that no issue of freedom of the press has been in any way involved in its decision. The Chinese Government, firmly believing that a free press is one of the most potent forces for the attainment of democracy, has consistently dedicated itself to the support of the principles of world-wide freedom of the press.

The war has necessarily restricted temporarily freedom of the press in every country of the world—China is no exception. In wartime, censorship invoked in the interest of national security and no belligerent nation has escaped the necessity of censorship.

Furthermore, freedom of the press cannot be construed as covering the license to subvert and it is understood that the Government of the United States recognizes this and its War and Navy Departments have refused to accredit war correspondents whose records indicate a determination to overthrow or weaken the Government in wartime, or who have made reports prejudicial to the war effort of the United States. In barring these two American correspondents, the Government of the Republic of China is merely exercising the same prerogative.

It is also an acknowledged international practice that accreditation of the Government of one nation does not automatically admit correspondents to another country. The Government of China, like her Allies, reserves the sovereign right to pass upon the credentials of any foreign accredited correspondent. It must do so in time of war for its own protection.

Since the beginning of the war, however, the Chinese Government has welcomed over 600 bona fide war correspondents to China, and since January 9, 1945 has received 62 foreign war correspondents who have come to China, visited the capital and travelled extensively in the country for the purpose of reporting the progress of the war to all the peoples of the world. The Chinese Government has welcomed these correspondents to China and has gladly placed all necessary facilities at their disposal. At the present time there are no less than 24 foreign war correspondents in the China Theater.

The Chinese Government has not declined to readmit the two correspondents in question on the ground that their writing has been critical

of or unfriendly toward the Government of China, but on the ground that while they were in China their actions were not confined to representation of their respective publications and, at a time when China was fighting for her very existence, they were pursuing a course which endangered the military collaboration between China and the United States and openly seeking to undermine the authority of the Government of China. In view of their past activities, therefore, the Chinese Government is of the opinion that were these two correspondents permitted to return, they might make further attempts against the Government of China and that these attempts might influence adversely the joint prosecution of the war against Japan by China, the United States and their Allies.

In the meantime, the Chinese Government declares its readiness and willingness to receive from the two publications in question other accredited correspondents in substitution for the two correspondents whose applications it has been forced to decline."

Should the Department wish to make the memorandum available to either *Newsweek* or the *New York Post* the Chinese Government has no objection provided it is understood and agreed that:

1. The memorandum is to be held as confidential, not for publication.
2. If the publications accept the invitation of the Chinese Government to appoint other correspondents, [n]either that Government nor the papers concerned will make any public statement concerning the case;
3. Should either publication wish to engage in publicity the Chinese Government will be given through the Department of State a minimum of 48 hours of advance notice.

For the information of the Department only: If the papers decide to act on the plan outlined in point 3 above Chinese Government plans to make public its statement here in Chungking and to make it available to all foreign correspondents. With reference to the advance notice desired, it should be borne in mind that telegrams from the Department frequently require 2 days to reach Chungking.

HURLEY

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811.91293/8-1645 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 16, 1945—8 a. m.

[Received 4 p. m.]

1364. Association of foreign correspondents in Chungking has expressed interest in the cases of Berrigan and Isaacs, on two counts: (1) to ascertain reason for action of Chinese Government, and (2) for clarification of regulations governing activities of correspondents, for

their own guidance. They asked if I would transmit a communication to the State Department covering point 1 and I agreed to do so. To date it has not been received.

I have informed them that in view of the Chinese Government no issue of freedom of the press is involved and that I had communicated to State Department on behalf of Chinese Government last week (see Embassy's telegram No. 1310, August 9, 9 a. m.) statement of that Government relative to point 1. I also informed them of possibility that Chinese Government might desire to issue statement to correspondents in Chungking.

HURLEY

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811.91293/8-945 : Telegram

*The Secretary of State to the Ambassador in China (Hurley)*

WASHINGTON, August 18, 1945—5 p. m.

1277. With regard to the cases of Berrigan and Isaacs (Urtel 1310) the Department wishes to be informed of the basis for the charge that, outside the field of their journalistic functions, "they were pursuing a course which endangered the military collaboration between China and the United States and openly seeking to undermine the authority of the Government of China". Please request Chinese Government to supply in detail the evidence upon which this serious charge is based.

For your information Department does not feel that it should be party to or even an intermediary in obtaining agreement of *Newsweek* and *New York Post* to the restrictions imposed on them by the Chinese Government as conditions precedent to furnishing those publishers with copies of the Chinese Government's memorandum. Consequently no copies have been supplied to the publishers but the Department will of course eventually have to give the publishers an explanation of the reasons given for the position taken by the Chinese Government.

BYRNES

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811.91293/8-3145 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, August 31, 1945—10 a. m.

[Received 12:05 p. m.]

1483. The Chinese Government has been so preoccupied with questions having to do with surrender, Communist relations, et cetera (re your telegram 1277, August 18, 5 p. m.) that it has been unable to give further consideration to the Berrigan-Isaacs cases. Furthermore a

new Minister of Information <sup>4</sup> has just been appointed, and the Ministry is in process of reorganization.

I shall take up the cases again just as soon as it is possible or opportune to do so.<sup>5</sup>

HURLEY

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811.91293/12-345 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 4, 1945—7 p. m.

1935. Dept has been approached by *Sat Eve Post* which states "We assigned Edgar Snow to a tour of duty in China, to write articles for this magazine there. War Dept officials inform me that General Wedemeyer's HQ has no objection whatever to having Mr. Snow work as a correspondent out of that HQ, but that the Chinese civil authorities consider him 'unacceptable'".

Please make inquiry of FonOff regarding this matter and report by telegram.

BYRNES

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811.91293/12-3145 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 31, 1945—10 a. m.

[Received 10:56 a. m.]

2250. Representations have been made to Foreign Office on three occasions regarding Edgar Snow (Deptels 1935, Dec 4, 7 p. m.; 1971, Dec 11, 6 p. m.; 2066, Dec 27, 1 p. m.<sup>6</sup>) Entry permission has not been refused by Foreign Office, as stated in American press. Matter is still under consideration. For your confidential information, we understand T. V. Soong is delaying decision. Minister of Information agrees with Embassy that exclusion of Snow would do Govt more harm than Snow could possibly do, however antagonistic his attitude might be. We are pressing for favorable decision.<sup>7</sup>

ROBERTSON

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<sup>4</sup> K. C. Wu.

<sup>5</sup> No record of further action on this matter has been found in Department files.

<sup>6</sup> Telegrams Nos. 1971 and 2066.

<sup>7</sup> A memorandum of conversation, by the Assistant Chief of the Division of Chinese Affairs (Drumright), February 26, 1946, stated that the Counselor of the Chinese Embassy (Chen) had called by telephone and said that the Chinese Government had given permission for Mr. Edgar Snow to enter China (811.91293/2-2646).

EXCHANGE OF VIEWS BETWEEN THE UNITED STATES  
AND CHINA REGARDING THE ADMINISTRATION OF  
LIBERATED AREAS<sup>1</sup>

800.0146/5-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 9, 1945—5 p. m.

[Received May 9—9: 18 a. m.]

746. The Chinese Government has again raised the question of Chinese participation in administration of liberated areas [( )Please see despatch 2970, September 19, 1944<sup>2</sup> and related correspondence( )], the Acting Foreign Minister<sup>3</sup> calling on me on May 7 to present informally the text of a new Chinese draft, which I am transmitting by separate telegram.<sup>4</sup> I, of course, recognize that this matter is of primary interest to our military and naval authorities but it also has obvious important political implications.

The evident purpose of the Chinese Government is to pave the way for the reestablishment of its authority, having in mind the Communist situation in areas adjacent to the coast. The significance in that connection of such phrases as "officials despatched by the Chinese Government shall immediately assume responsibility for all administrative affairs" is apparent. [( )Please see also last clause of article 3, and article 4(.)] In commenting to Dr. Wu, who indicated that T. V. Soong<sup>5</sup> may raise the matter at an early call with the Department, I said that a decision in the matter naturally rested in the first instance with the Joint Chiefs of Staff in consultation with the State Department, and I emphasized the undesirability of adopting any arrangement which could result in hindering military operations (I mentioned specifically the question of jurisdiction, article 4).

Pending the receipt of further instructions from the Department, I shall continue to be guided by the views set forth in the Department's secret telegram No. 1166, September 12 [2], 1944, 5 p. m.<sup>6</sup>

<sup>1</sup> Continued from *Foreign Relations*, 1944, vol. vi, pp. 1165-1170.

<sup>2</sup> Not printed, but see telegram No. 1581, September 19, 1944, from the Ambassador in China, *ibid.*, p. 1169.

<sup>3</sup> K. C. Wu.

<sup>4</sup> No. 747, May 9, *infra*.

<sup>5</sup> Chinese Minister for Foreign Affairs, then in the United States.

<sup>6</sup> *Foreign Relations*, 1944 vol. vi, p. 1167.

General Wedemeyer<sup>7</sup> has read and approved this telegram. He comments that this approach may be further indication of the pressure to which he is now constantly exposed to reveal to the Chinese war plans which he considers should not be disclosed for security reasons.

HURLEY

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800.0146/5-945 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, May 9, 1945—7 p. m.

[Received May 9—9 : 33 a. m.]

747. Following is text of "draft agreement" (Embassy's 746, May 9, 5 p. m.) :

1. Upon the liberation of any Chinese territory (including those territories which should be restored to China in accordance with the Cairo declaration<sup>8</sup>), by the Chinese, American and British forces, whether acting separately or jointly, the handling of all matters in such territory relating to military operations shall be the responsibility of the highest military authorities of the liberating forces, while officials despatched by the Chinese Government shall immediately assume full responsibility for all administrative affairs.

2. The officials despatched by the Chinese Government shall do everything in their power to help supply the needs of the military authorities in the prosecution of the war.

3. In order that the fullest collaboration may be maintained between the military authorities and the Chinese administrative authorities, the Chinese Government shall appoint special military representatives to be stationed at the headquarters of the military authorities of the liberating forces. If any measures are regarded by the military authorities as necessary to the prosecution of the war, they shall consult the Chinese Government's special military representatives, and the latter, after having concurred in the proposed measures, shall order the Chinese local officials to carry them out.

4. All judicial cases shall be handled in accordance with the Chinese-American agreement on military jurisdiction. The military personnel of the Allied nations shall be subject to the jurisdiction of their respective military courts. All Chinese nationals shall be under the jurisdiction of the Chinese Government.

5. Detailed regulations governing the enforcement of this agreement shall be drawn up in accordance with the principles of this agreement.

HURLEY

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<sup>7</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, United States Forces in China Theater and Chief of Staff, China Theater.

<sup>8</sup> Declaration by President Roosevelt, Generalissimo Chiang Kai-shek, and British Prime Minister Churchill, released to the press by the White House, December 1, 1943, Department of State *Bulletin*, December 4, 1943, p. 393; also *Foreign Relations*, The Conference at Cairo and Tehran, 1943, p. 448.

S93.01/5-1845: Telegram

*The Acting Secretary of State to the Secretary of State*<sup>9</sup>

WASHINGTON, May 18, 1945.

20. McCloy<sup>10</sup> tells me that on Soong's return to San Francisco he will probably talk to you about the importance of setting up Chinese civil government in the areas occupied by our troops if and when our forces land in China. His object would be to obtain some commitment that such civil government will be drawn from the Kuomintang authorities even if the occupied areas should be in control of the Chinese Communists. It is our feeling that such a commitment would not be in accord with either our military or political interests. McCloy thought that you might wish to have this thought in mind in case Soong should approach this subject.

GREW

S93.01/5-1945: Telegram

*The Secretary of State to the Acting Secretary of State*

SAN FRANCISCO, May 19, 1945.

[Received May 19—7:43 p. m.]

7. Your 20, May 18. Please tell McCloy that I shall be guided by your advice on this matter in my conversations with Soong.

STETTINIUS

800.0146/5-945

*The Acting Secretary of State to the Secretary of the Navy*  
(Forrestal)

WASHINGTON, May 22, 1945.

MY DEAR MR. SECRETARY: Reference is made to the following correspondence<sup>11</sup> exchanged between the Department of State and the Joint Chiefs of Staff, copies of which are assumed to be on file in your Department, in regard to an informal suggestion made by the Chinese Government in July 1944<sup>12</sup> for the negotiation of an agreement relating to the military administration of civil affairs in Chinese territory liberated by United States forces:

(1) Memorandum dated August 12, 1944 from the Department of State to the Joint Chiefs of Staff.

<sup>9</sup> Attending the United Nations Conference at San Francisco.<sup>10</sup> John J. McCloy, Assistant Secretary of War.<sup>11</sup> None printed.<sup>12</sup> See telegram No. 1289, July 25, 1944, 3 p. m., from the Ambassador in China, *Foreign Relations, 1944*, vol. VI, p. 1165.

(2) Letter dated August 26, 1944 from the Joint Chiefs of Staff to the Secretary of State.

(3) Letter dated September 7, 1944 from the Secretary of State to the Joint Chiefs of Staff.

(4) Letter dated September 15, 1944 from the Joint Chiefs of Staff to the Secretary of State.

(5) Letter dated September 23, 1944 from the Secretary of State to the Joint Chiefs of Staff.

The question of the negotiation of a Chinese-American civil affairs agreement has again been raised by the action of the Chinese Acting Foreign Minister in calling on the American Ambassador at Chungking on May 7, 1945 and informally handing the latter the text of a "draft agreement" as a proposed basis for negotiations. There are enclosed in this connection (1) a paraphrase of a telegram dated May 9, 1945 from the Ambassador<sup>13</sup> and (2) the text of the "draft agreement"<sup>14</sup> submitted by the Chinese Acting Foreign Minister to the Ambassador.

In the light of this further Chinese proposal for the negotiation of a civil affairs agreement and in the thought that it may be of interest, this Department desires to offer the following comment as pertinent to consideration of the question.

In view of the manifest desire of the Chinese to conclude an agreement and in view of the progress of military and naval operations in the western Pacific area, this Department is of the opinion that it would be opportune at this time to resume discussions with the Chinese authorities on the basis of the instructions issued by the Joint Chiefs of Staff to General Stilwell (incorporated as an enclosure to the letter of September 15, 1944 from the Joint Chiefs of Staff to the Secretary of State). In as much as the discussions relate primarily to military considerations, it would appear that they could best be conducted between General Wedemeyer (in consultation with the Ambassador) and the appropriate Chinese authorities.

With reference to the "draft agreement" submitted by the Chinese Government as a basis for discussions, the following comment is offered:

1. In view of the complexities of the political and military situation existing in China today, and more particularly the absence of effective Chinese National Government control in substantial portions of northern and eastern China, it is not deemed advisable from the United States' point of view to enter into an agreement authorizing the immediate restoration to the National Government of civil and judicial control in areas in China liberated by United States forces (in this connection see Articles I and IV of the Chinese "draft agreement").

<sup>13</sup> No. 746, p. 1483.

<sup>14</sup> Quoted in telegram No. 747, May 9, 7 p. m., from the Ambassador in China, p. 1484.



A further material objection to such a provision is that its implementation would probably complicate and impede military operations.

2. While it is felt desirable to permit the attachment of military representatives of the Chinese National Government as liaison officers to United States forces which may conduct military operations along the China coast, it is not deemed advisable to comply with the Chinese proposal to vest such representatives with authority to concur in measures relating to the prosecution of military operations or to issue instructions to local Chinese officials (see Article III of the Chinese "draft agreement"). It is also felt that the selection and utilization of Chinese personnel in the civil administration of areas of China liberated by United States forces should be the sole responsibility of the commanding officer of the United States forces so long as the latter forces remain in occupation of such areas.

It would be appreciated if you would be good enough to present this matter to the Joint Chiefs of Staff with the request that they consider sanctioning the early resumption of discussions with the Chinese Government looking to the negotiation of a civil affairs agreement along the lines set forth in previous correspondence and in this communication.<sup>15</sup>

An identic letter is being addressed to the Secretary of War.

Sincerely yours,

JOSEPH C. GREW

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800.0146/6-1545 : Telegram

*The Ambassador in China (Hurley) to the Secretary of State*

CHUNGKING, June 15, 1945—11 a. m.

[Received June 15—10 : 15 a. m.]

986. General Olmsted<sup>16</sup> reports with regard to the draft civil affairs agreement (ReEmbstel 746, May 9, 5 p. m. and related correspondence) that authority for final decision in the premises will probably be released to headquarters, China Theater, with instructions to General Wedemeyer to handle the question in consultation with me.

This will of course be entirely satisfactory to me and moreover I recognize the advantage of having such final determination made by the theater commander directly concerned. I would appreciate receiving any further comments or instructions in the premises which the Department considers would be useful to me in my discussions with General Wedemeyer.<sup>17</sup>

HURLEY

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<sup>15</sup> The Secretary of the Navy on June 8 advised that the matter had been submitted to the Joint Chiefs of Staff (800.0146/6-845).

<sup>16</sup> Brig. Gen. George H. Olmsted, Civil Affairs Officer, China Theater.

<sup>17</sup> In a report by the Joint Civil Affairs Committee of the Joint Chiefs of Staff, J. C. S. 999/5, September 10, 1945, it was concluded that, from a military point of view, a civil affairs agreement with the Chinese was not necessary; General Wedemeyer concurred. (Marshall mission files, lot 54-D270).

**EXCHANGE OF VIEWS BETWEEN THE UNITED STATES  
AND CHINA ON THE FUTURE STATUS OF KOREA AND  
THE QUESTION OF RECOGNIZING A PROVISIONAL  
KOREAN GOVERNMENT**

[On September 25, 1945, President Chiang Kai-shek made inquiry of the American Embassy in China concerning American policy in regard to Korea in light of present conditions resulting from the surrender of Japan and the liberation of Korea by American and Soviet forces. It was agreed to permit Korean nationalist leaders in exile to return to Korea as individuals. Documentation on the subject of Korea is printed in volume VI, pages 1018-1157.]

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